A Chamber Report on
Hiring, Training, and Retaining
Qualified Workers

KEEPING COMPETITIVE

A Report from a Survey of 1,800 Employers

Center for Workforce Preparation

An Affiliate of the U.S. Chamber of Commerce

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Hiring, Training, and Retaining Qualified Workers

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Introduction

Employers across the nation and within all industries share a common understanding—a qualified and well-trained workforce is perhaps the most critical factor to sustained growth and competitiveness. On top of existing shortages of qualified workers in industry after industry, the United States will begin to experience an actual decline in the real numbers of workers in 2011 as the baby-boom generation starts to retire. As the nation's birth rate remains low, the number of working-age adults who are incarcerated grows, and immigration becomes an increasingly important source of workers, it is clear why workforce development and education issues are paramount for local, state, and the U.S. chambers of commerce.

The Center for Workforce Preparation (CWP), a nonprofit affiliate of the U.S. Chamber of Commerce, has launched a multi-year effort to help businesses improve their ability to hire, train, retain, and advance qualified employees in this competitive and tight economy. Workforce Academies provide local and state chambers of commerce a forum in which to convene businesses, workforce boards, workforce service providers, and other community leaders to collaboratively address and improve the broad range of workforce issues facing communities. Workforce Academies expand business awareness, provide a catalyst for action, and foster changes in employer behavior related to workforce development.

The Workforce Academies project includes a survey of at least 300 employers to determine current perspectives and challenges related to hiring, training, retaining, and advancing qualified employees. This report is based on the responses from over 1,800 business members of the six chambers engaged with the Workforce Academies demonstration project in 2001. As CWP assists other chambers to implement Workforce Academies and other workforce solutions, the survey information from employer responses will be summarized and presented in future editions of the *Keeping Competitive* report.

As this report clearly shows, being able to recruit qualified workers and having a well-trained workforce are critical keys to the continued success of America's economy. Small and mid-sized employers are especially unlikely to have the resources to properly address the critical issues of hiring, training, retaining, and advancing qualified employees. Local chambers, whose members are predominantly small and mid-sized employers, are in a unique position to assist such employers and to serve as an intermediary in the labor marketplace. Through Workforce Academies and other efforts, chambers of commerce are helping to improve the workforce development systems, policies, and practices in their communities, and are working to expand the reach and responsiveness of services offered through One-Stop centers.

At the national level, the Center for Workforce Preparation and the U.S. Chamber of Commerce are taking a leading role in assisting employers in addressing their challenges in hiring, training, retaining, and advancing qualified workers. The "Workforce Academies" initiative is but one of the many projects in which CWP is engaged to meet these business needs.

Executive Summary

Key Findings

- Thirty percent of employers surveyed anticipate adding employees over the next six months.
- Two-thirds of employers report severe conditions when trying to hire qualified workers.
- One-third say that applicants are poorly skilled, while an additional one-third report that applicants have the wrong skills for the jobs available.
- Thirty percent report that conditions in their local labor market are having a negative impact on their company's bottom line.
- Forty percent cite "a well-trained staff" as key to remaining competitive.

A recent study commissioned by the Center for Workforce Preparation, an affiliate of the U.S. Chamber of Commerce, surveyed over 1,800 employers in April and May 2001, over 52 percent of which had 10 or fewer employees. The survey was conducted in six U.S. regions that represent a wide variety of economic and community characteristics and provide a broad sample of employers and workforce issues in the country.

The survey found that 30 percent of employers anticipate adding employees to their staff within the six months following the time of the survey. Sixty-six percent of employers anticipate holding their employment levels static, while only four percent expect actual declines in employment. This relatively good news regarding the employment outlook is tempered by the fact that over two-thirds of employers report some degree of difficulty when trying to identify and hire qualified employees. Among all respondents, 36 percent report very severe conditions when recruiting employees, and an additional 32 percent report somewhat severe conditions.

The challenges employers face when recruiting qualified workers cover a wide range of issues. Thirty-four percent report that the applicants they see have poor employment skills. An additional 30 percent indicate that the applicants have the wrong skills set for the available positions, while another 30 percent report that they simply cannot get enough applicants for their job openings. Such findings point to a fairly persistent skills mismatch among those who remain unemployed in these times of historically low unemployment.

The opposite is true when considering the skills set of incumbent workers. Employers appear to have a high degree of satisfaction with the skills set of their current workers. When asked how well the skills of current workers meet the present needs of the workplace, 67 percent of all respondents report that the skills match "very well," while an additional 30 percent report the skills match "fairly well." Interestingly, 70 percent of employers believe that the skills of their current workforce will match the requirements of their workplace "very well" in two years, while an additional 24 percent foresee a situation in which employees' skills match their job requirements "fairly well" in two years.

The fact that employers are positive about the skills of their workforce is good news considering that employers cite having a "well-trained staff" as one of the keys to remaining competitive. When asked to select among four workforce-related factors critical to remaining competitive, 40 percent of employers select having a "well-trained staff," twice as many as select "economic development/jobs creation." "Retaining employees" is cited by 19 percent of the respondents, and only 17 percent select "the ability to recruit qualified workers."

The Center for Workforce Preparation, a nonprofit affiliate of the U.S. Chamber of Commerce, is the only organization with the sole mission of helping chambers of commerce develop workforce strategies so employees of their members are fully equipped to compete in the 21st century economy. Since 1990 the Center has helped state and local chambers better engage in workforce development, and has promoted quality education, by providing tools, models, and best practices. The U.S. Chamber of Commerce is the world's largest business federation, representing nearly 3 million companies, 3,000 state and local chambers, 850 business associations, and 87 American chambers of commerce abroad.

A "well-trained staff" is the most frequently cited competitive factor. It would be logical to assume that a high percentage of employers would ensure that training is provided to staff. However, the survey reveals that only 67 percent of the employers provided some type of training activity in the six months prior to the survey, whether the training was provided using internal or external sources.

In general, the survey indicates that employers are relatively ill prepared to address costly turnover problems. Only 46 percent of all organizations conduct exit interviews, 25 percent measure employee turnover, and 32 percent actively assist their employees in addressing employment challenges, such as child or dependent care, transportation, healthcare, or housing. Fully 79 percent of respondent firms do not have any dedicated staff for recruitment, training, or retention/career development responsibilities within their organization, perhaps leaving these vitally important roles to be borne by the person wearing the fewest hats at the time.

Finally, the survey asked employers about three possible interactions with the public workforce system. First, employers were asked whether they have hired an individual who has transitioned off welfare over the past three years. Only one-fifth of all responding employers has done so. That does not mean, however, that companies are not willing to hire welfare participants. When asked the degree of their willingness to hire someone receiving welfare for an opening in the next year, 50 percent of all respondents say they would be "very" willing, and an additional 29 percent say they would be "somewhat" willing.

There are many reasons that the vast majority of employers surveyed have never hired a welfare participant. Chief among them is that very few of the employers in the six regions have ever used One Stop centers, the heart of the revamped public workforce development system. Ninety-five percent of all employers in these six communities has never utilized the services of One Stop centers for recruiting, training, or retention of employees. Just as interesting is the distribution of satisfaction levels of those employers who have used One Stop centers in these communities to fulfill their needs. Among the few employers who have utilized the services, there is a relatively even distribution among those who thought the services were "excellent," "good," "fair," and "poor."

The end result is that 30 percent of the respondents to this survey indicate that the labor market conditions in their local communities are negatively impacting their company's bottom line. The need for qualified and well-trained workers, already a priority for American businesses, will only continue to grow over the coming years. Our country's workforce development systems, policies, and practices must respond effectively to this challenge for businesses to remain competitive and for individuals to remain employable.

The Data

Between April 6th and May 21st, 2001 telephone surveys were conducted with 1,836 employers in six regional areas around the country. These regions represent the service areas of the six local chambers of commerce participating in the Workforce Learning Academies project with the Center for Workforce Preparation. The six regions are centered in Brockton, MA; Cleveland, OH; Enterprise, AL; Kalispell, MT; Salina, KS; and Tucson, AZ. Between 300 and 319 surveys were conducted in each region by Barcelo & Company and American Public Dialogue of Jacksonville, Florida. A table of data demographics is presented below.

Data Demographics, Actual Numbers

		Number of Respondents by																
		Employer Size			Industry													
	Number of Respondents	10 or fewer	11 to 50	51 or more	Ag, forestry, fishing, mining	Services (including education)	Health/Social care	Construction	Entertainment	Hospitality	Manufacturing	Technology	Transportation	Utilities	Wholesale trade	Retail trade	Finance, Insurance, Real Estate (FIRE)	Gov't/Non-Profit
Brockton	304	168	77	59	3	127	17	11	6	10	20	6	13	1	11	24	48	7
Cleveland	300	212	69	19	7	115	0	39	0	1	41	1	11	0	30	31	23	1
Enterprise	304	187	82	35	4	81	25	6	3	21	21	3	8	5	7	64	46	10
Kalispell	319	217	62	40	5	85	14	22	10	62	10	6	9	2	7	49	33	5
Salina	303	136	127	40	5	55	31	21	8	25	26	1	12	3	16	64	25	11
Tucson	306	42	149	115	2	83	22	20	7	40	31	7	14	4	8	41	20	7
TOTALS	**1836**	**962**	**566**	**308**	**26**	**546**	**109**	**119**	**34**	**159**	**149**	**24**	**67**	**15**	**79**	**273**	**195**	**41**

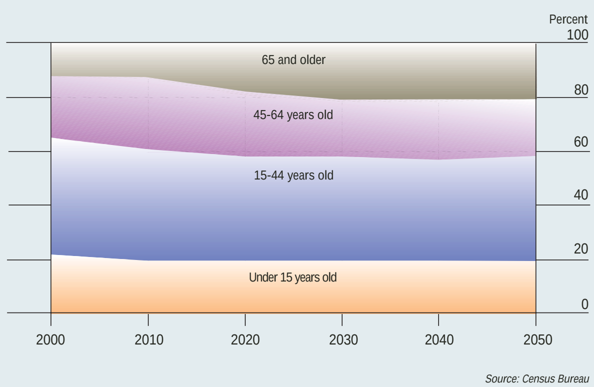
KEEPING COMPETITIVE

The need for qualified, well-trained workers is a vital competitive factor for American businesses. As capital and knowledge become ever more fluid, moving around the globe at a moment's notice in search of the highest returns on their value, the skills and abilities of any country's workers become one of the most critical aspects of a successful economy. This fact is not new, nor is it especially surprising. Indeed, that it is such an accepted truism may tend to remove any sense of urgency from the issue.

Yet a sense of urgency is exactly what is needed. Shortages of qualified workers exist in numerous industries around the country, ranging from information technology positions to nurses, skilled machinists, and teachers. With the impending wave of retirements of boomer-generation workers, such shortages will only grow more severe.

Figure 1

The Baby Boomers Retire



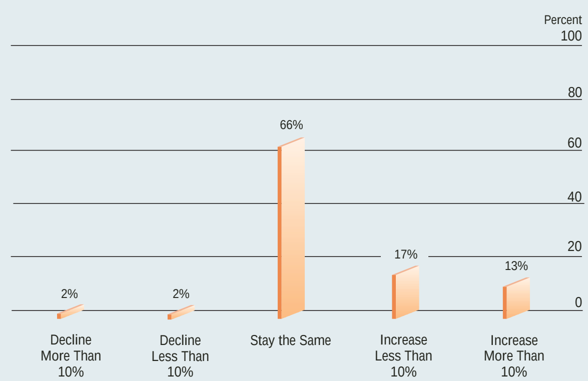
To better understand the perspective of employers on a range of workforce development issues, the Center for Workforce Preparation, a nonprofit affiliate of the U.S. Chamber of Commerce, commissioned a survey of over 1,800 employers in April and May 2001. These surveys were done as part of the Workforce Academies demonstration project, a multi-year effort to help businesses improve their ability to hire, train, and advance qualified employees, and to improve local and state workforce development systems, policies, and practices. Fifty-two percent of the organizations from the six regions surveyed around the country have 10 or fewer employees, while an additional 31 percent have between 11 and 50 employees. What follows is a picture of how employers across industries are struggling to hire and retain qualified workers who will allow them to grow and remain competitive over the coming years.

EMPLOYMENT OUTLOOK

There appears to be a sense of cautious optimism among employers in the nation. While a majority of respondents, 66 percent, report that their level of employment will stay the same over the coming six months, 30 percent anticipate some level of growth (see Figure 2). The largest percentage of employers projecting no change in employment (73%) is among employers with 10 or fewer staff. Sixty percent of employers with 11 to 50 employees and 55 percent of those with 51 or more employees also report no plans to change their employment levels over the coming six months (see Table 1).

Figure 2

What is the Six-Month Employment Outlook?



A significant percentage of respondents, 30 percent, project moderate or large growth in employment, with over 13 percent anticipating growth of more than 10 percent over a six-month period. Not unexpectedly, the larger the organization, the more likely the projection of growth in employment. Employers most optimistic about growth include those in the construction (43%), and services, health/social care, and hospitality (31% each) industries.

Surprisingly, there is little outright pessimism among the employers surveyed, with only four percent anticipating an actual decline in employment in the coming six months. Employers in the transportation (8%), manufacturing, wholesale trade, and hospitality (5% each) industries are most likely to report anticipated declines in employment levels.

Employers are not having an easy time recruiting to fill current and projected openings. As shown in Figure 3 and Table 2, sixty-eight percent of employees report experiencing either very severe or somewhat severe problems in recruiting qualified employees. Specifically, approximately one-third report experiencing "very severe" problems (36%), and an additional third (32%) report having "somewhat severe" problems.
Larger employers, those that also report being more likely to add jobs over the coming six months, are more likely to experience high levels of difficulty in recruiting. Among employers with 11 to 50 employees and those with 51 or more employees, approximately three-quarters report having very or somewhat severe problems. Employers with 10 or fewer employees are less likely to report such difficulties, with 60% indicating very or somewhat severe problems.

Hiring problems are not isolated within just one or two industry clusters. Indeed, six of the ten industry groupings identified in this research had more than 70 percent of their respondents indicate that they are experiencing very or somewhat severe hiring problems, including government/non-profit (75%), manufacturing (74%), health/social care (73%), wholesale trade (72%), and construction and retail trade (72% each).

Employers report specific problems hiring in "skilled trades/technical" and "entry-level/direct service" positions, with 22 percent of all respondents citing a significant problem in recruiting or retaining qualified workers. Nine percent of employers report significant problems in recruiting or retaining "managerial/professional" personnel, while only five percent cite problems in "supervisory" positions.

Figure 3

How Difficult is it to Recruit Qualified Workers?

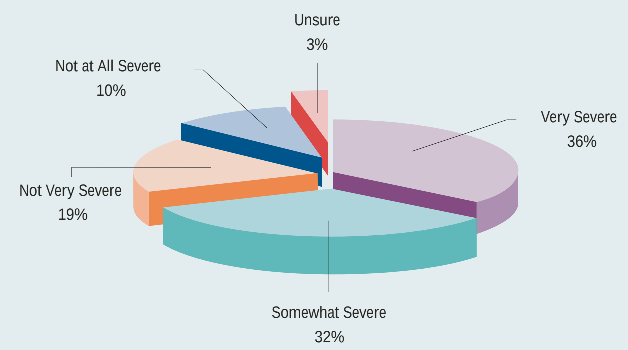


Table 1

Six Month Employment Outlook (%)

Over the next six months, do you expect your employment level to increase, stay the same, or decline?	Increase: More than 10 percent	Increase: Less than 10 percent	Stay the same	Decline: Less than 10 percent	Decline: More than 10 percent	Unsure
Overall	13%	17%	66%	2%	2%	1%
Employer Size						
10 or fewer	13%	11%	73%	2%	2%	1%
11 to 50	12%	23%	60%	3%	1%	<1%
51 or more	13%	26%	55%	3%	3%	0%
Industry						
Services	13%	19%	66%	1%	1%	<1%
Health/Social	16%	16%	66%	0%	3%	0%
Construction	19%	24%	52%	3%	1%	2%
Hospitality	16%	16%	63%	3%	3%	1%
Manufacturing	11%	14%	69%	4%	1%	1%
Transportation	10%	19%	63%	5%	3%	0%
Wholesale	9%	17%	70%	3%	3%	0%
Retail	9%	17%	72%	2%	2%	0%
FIRE	14%	14%	67%	3%	1%	2%
Govt/Non-Profit	7%	15%	76%	2%	0%	0%

Note: Totals may be less or more than 100% due to rounding.

Table 2

Problems Recruiting Qualified Employees

How severe a problem is it to hire qualified workers for your firm?	Very severe	Somewhat severe	Not very severe	Not at all severe	Unsure
Overall	36%	32%	19%	10%	3%
Employer Size					
10 or fewer	32%	28%	20%	13%	6%
11 to 50	43%	33%	18%	6%	1%
51 or more	33%	41%	20%	5%	1%
Industry					
Services	36%	29%	22%	10%	3%
Health/Social	29%	44%	13%	11%	3%
Construction	45%	27%	14%	10%	4%
Hospitality	36%	27%	21%	10%	6%
Manufacturing	39%	35%	20%	5%	2%
Transportation	43%	22%	21%	10%	3%
Wholesale	34%	38%	14%	13%	1%
Retail	36%	36%	17%	8%	3%
FIRE	30%	29%	23%	13%	5%
Govt/Non-Profit	24%	51%	15%	7%	2%

Note: Totals may be less or more than 100% due to rounding.

With unemployment rates at historically low levels, and only slight increases seen during this most recent economic downturn, the likelihood that employers will be able to recruit qualified workers from the pool of unemployed or transitioning workers remains low. Furthermore, the impending surge of retirements among baby-boomers, starting in just ten short years, means that the lack of qualified workers at all levels of employment—entry, supervisory, managerial, professional, executive—is only going to grow more drastic.

A Snapshot of Employers with 10 or Fewer Employees

The life of a small employer is not easy, but it may be relatively stable. Keeping the doors open, the suppliers supplying, the products moving, and the customers happy leaves employers little time to worry about workforce hiring, training, or retention.

Employers with 10 or fewer employees report being the most likely (73%) to maintain the level of employment over the six-month period May through October 2001. Twenty-four percent anticipate growing, but only 13 percent think this growth will exceed 10 percent. At the same time, only three percent anticipate an actual decline in employment levels. Given such projections, few of these smallest of employers report very (32%) or somewhat (28%) severe problems with recruiting qualified employees. And these employers are also the most satisfied with the skills of their existing employees; 76 percent state that their current employees' skills match the jobs' needs very well, and 77 percent think the match will be as good in two years.

Like larger employers, those with 10 or fewer employees cite having a "well-trained staff" as the most important competitive factor among four workforce-related choices. In contrast with larger employers, "economic development/jobs creation" is the second most important factor to this group, perhaps indicating the localization of their market and the dependence on a strong regional economy for success.

As expected, the smallest employers are least likely to provide any type of training, conduct exit interviews or measure turnover, provide assistance to employees with barriers to retention, or to have dedicated staff for workforce-related functions.

IS THERE A SKILLS MISMATCH?

Adding to employers' difficulties is their struggle to find the right set of skills in the available pool of applicants. Based on their hiring experiences, 34 percent of employers report that the applicants they see have poor employment skills; an additional 30 percent cannot get enough applicants in the door to meet their needs; and another 30 percent see applicants that have the wrong skills set for the job openings (see Table 3).

While growth through increased employment appears challenging at best, there is a silver lining. Across the board, employers hold the skills of their current employees in high regard, especially among companies with 10 or fewer employees. When asked how well the skills of their current employees meet the needs of the company today and as anticipated in two years, employers are overwhelmingly positive.

As seen in Table 4, two-thirds of employers say that the skills of their current employees meet present needs "very well," and an additional 30 percent report that their employees' skills meet their needs "fairly well." Interestingly, employers across all three size categories are slightly more optimistic that the skills of their current employees will meet their needs in two years.

As good as this news is, employers face the ongoing challenge of ensuring that their employees' skills remain up-to-date with rapid technological change, ahead of the tech-savvy new entrants in the labor market, and able to meet demands for higher productivity.

Table 3

Applicant Skills Mismatch

Percent reporting challenges regarding the recruitment of qualified workers.	Can't get enough applicants	Applicants are poorly skilled	Applicants have no skills	Applicants have wrong skills for the job
Overall	30%	34%	14%	30%
Employer Size				
10 or fewer	23%	28%	12%	27%
11 to 50	38%	42%	17%	33%
51 or more	40%	39%	16%	31%
Industry				
Services	29%	30%	12%	29%
Health/Social	40%	25%	8%	28%
Construction	25%	37%	15%	32%
Hospitality	31%	41%	20%	24%
Manufacturing	37%	42%	13%	28%
Transportation	32%	46%	15%	37%
Wholesale	33%	33%	23%	24%
Retail	28%	40%	17%	30%
FIRE	28%	25%	8%	29%
Govt/Non-Profit	29%	37%	7%	39%

Note: Totals may be less or more than 100%, as respondents could select more than one answer, and "unsure" totals are not reported.

Table 4

Incumbent Employees' Skills Match

Considering just your current employees, how well do their skills meet your present and future needs?	Present Needs		Future Needs	
	Very well	Fairly well	Very well	Fairly well
Overall	67%	30%	70%	24%
Employer Size				
10 or fewer	76%	22%	77%	16%
11 to 50	62%	36%	66%	29%
51 or more	53%	45%	55%	38%

COMPETITIVE FACTORS

While finding and hiring qualified employees is a critical problem for employers in this survey, it ranks last out of four key factors in remaining competitive. As Table 5 indicates, having a "well-trained staff" ranks number one out of the four key competitive factors that chambers of commerce can impact in the field of workforce development. (Note that this survey did not attempt to rank the vast array of competitive factors that influence the success or failure of businesses; results should be interpreted accordingly.)

Second in importance is "economic development/jobs creation," otherwise interpreted as having a robust local economy. Third in order is the ability to retain existing employees, and last is the ability to recruit qualified workers.

There is some variation among employers of different sizes and industries, as would be expected. Smaller employers give slightly greater weight to having a well-trained staff, and the smallest employers are especially concerned about having a robust local economy, given that their sphere of operations is more geographically confined than is that of larger companies. Employers with 50 or more employees still rank a "well trained staff" first, but list "retaining employees" second, "recruiting" third, and "economic development" last.

Given the stated importance of having a well-trained staff, one would expect to find a large percentage of employers engaged in offering some type of training opportunity for their workers. Sixty-seven percent report that they had provided some type of training, whether sourced internally or externally, within the previous six months. Taking a closer look, and recognizing

Table 5

Key Competitive Factors

Of the following, what do you consider to be the most important factor to remain competitive?	A well-trained staff	Retaining employees	The ability to recruit qualified workers	Economic development/ jobs creation	Unsure
Overall	40%	19%	17%	20%	5%
Employer Size					
10 or fewer	41%	15%	14%	24%	6%
11 to 50	41%	21%	18%	16%	4%
51 or more	33%	27%	21%	16%	2%
Industry					
Services	39%	17%	18%	21%	5%
Health/Social	44%	24%	16%	11%	6%
Construction	27%	19%	22%	29%	3%
Hospitality	46%	17%	14%	15%	9%
Manufacturing	36%	26%	22%	15%	2%
Transportation	31%	25%	12%	27%	5%
Wholesale	30%	23%	24%	22%	1%
Retail	48%	15%	14%	18%	5%
FIRE	46%	13%	14%	23%	5%
Govt/Non-Profit	29%	24%	17%	22%	7%

Note: Totals may be less or more than 100% due to rounding.

A Snapshot of Employers with 11 to 50 Employees

Workforce development and human resource issues begin to take a central role for companies with more than 10 employees. Nearly one quarter (23%) of organizations with between 11 and 50 employees have at least one dedicated staff person for recruitment, training, or retention/career development. Organizations of this size are relatively likely to be in a growth mode, with 35 percent anticipating that they will be adding employees within a six-month period. Fully 76 percent of these same employers report either "very" (43%) or "somewhat" (33%) severe problems recruiting qualified employees, reflecting the reality of having to more frequently fill openings due to turnover and growth.

Turnover is a more costly issue to this middle tier of employers, with 44 percent indicating that they face a "significant" cost due to turnover. These employers cite having "a well-trained staff" as the number one factor for remaining competitive (41%), followed by "retaining employees" (21%), and "the ability to recruit qualified workers" (18%). These companies also have grown to a size where they both realize the need to provide formal training support to their employees, and are more likely to have the resources necessary to do so. Eighty-one percent of employers with between 11 and 50 employees provided some type of formal training, with 74 percent utilizing internal sources and 43 percent using external sources.

that some employers offered training through both internal and external sources, 62 percent indicated that they provided internally-sourced training (through the use of internal staff), while only 34 percent had offered training using external sources (see Table 6).

Not surprisingly, the smallest firms (10 or fewer staff) are least likely to provide any type of formal training activity, at only 55 percent. Among these firms, 49 percent had used internal sources while 27 percent had used external sources. A sizeable increase appears to occur once the number of employees surpasses 10, with the percent of employers providing any type of formal training activity increasing to 81 percent for those with 11 to 50 employees, and 83 percent for those with 51 or more employees. Likewise, there are similar increases in the percentages for both internally and externally sourced training for employers with 11 or more employees.

Among the industries, construction companies are the least likely to provide any type of formal training activity, with only 53 percent responding in the affirmative. At the other end of the spectrum, government and non-profits are the most likely to provide training, with government agencies accounting for the majority of the reported percentage.

Of those firms utilizing external sources, training services are most likely provided by product suppliers (25% of respondents), training firms (16%), and independent consultants (14%), as shown in Table 7.

Table 6

Organizational Training

Over the past 6 months, have you conducted any training, whether through internal or external sources?	Any	Internal	External
	Yes	Yes	Yes
Overall	67%	62%	36%
Employer Size			
10 or fewer	55%	49%	27%
11 to 50	81%	74%	43%
51 or more	83%	80%	55%
Industry			
Services	69%	62%	39%
Health/Social	79%	71%	48%
Construction	53%	47%	29%
Hospitality	66%	64%	19%
Manufacturing	66%	60%	35%
Transportation	70%	63%	36%
Wholesale	61%	57%	32%
Retail	60%	56%	30%
FIRE	70%	64%	41%
Govt/Non-Profit	95%	90%	73%

Table 7

External Training Sources

	Percent of all respondents
Product Suppliers	25%
Other Firms	16%
Independent Consultants	14%
Unions	7%
Vocational/Technical Institutions	6%
Four-year Colleges/Universities	5%
Government	5%
Community Colleges	3%
Community-Based Organizations	2%
Other Resources not Listed	17%

Erosion of the mid-20th century employer-employee compact of lifelong employment has led to the current state of "mutually-beneficial employability"; the employer hires and retains those employees with the right skills, and the employee chooses to work for those employers who will invest in the continual development of those skills. It is a situation that offers tremendous value and flexibility to both parties, but also leaves each highly vulnerable and interdependent. Until the terms of this new relationship are better defined, turnover, initiated by both parties, will prove to be one of the most costly and growth-inhibiting issues faced by employers in this economy.

TAMING TURNOVER

Retaining quality employees is of critical importance to employers for a wide variety of reasons, not the least of which is the cost burden faced by employers each time a worker leaves. More than a third of respondents (36%) rate the expense of recruiting and training due to turnover as "significant" (see Table 8). Among employers with 51 or more employees, the number of respondents citing a significant expense rises to 51 percent, while among employers with between 11 and 50 employees the number is 44 percent, and for employers with 10 or fewer employees the number falls to 26 percent.

Estimates regarding the actual costs of turnover range from 33 percent of the employee's base salary to as high as 250 percent of that salary. Examples from a wide range of employers over the past few years yield turnover cost estimates between $5,000 and $15,000 for entry-level call-center employees. As is shown in Table 5, "retaining employees" is ranked as the second highest competitive factor, especially for employers with more than 10 employees.

What are the reasons for turnover, and can employers effectively reduce the rate and amount of turnover? The first step to answering these questions is to understand why employees leave. Respondent employers generally ascribe their turnover experience to traditional factors such as other job opportunities (41%), a better offer (36%), and relocation (27%), as shown in Table 9. Yet an overwhelming number of surveys and studies conducted recently clearly indicate these are not the primary reasons people leave their jobs. Indeed, factors related to organizational culture have more to do with turnover than do pay, benefits, and attractive offers elsewhere.

Table 8

Cost of Turnover

How would you rate the expense of recruitment and training due to turnover?	Significant cost	Not very significant cost	Little or no cost	Unsure
Overall	36%	26%	31%	8%
Employer Size				
10 or fewer	26%	25%	39%	10%
11 to 50	44%	28%	22%	6%
51 or more	51%	24%	20%	5%
Industry				
Services	34%	25%	33%	8%
Health/Social	46%	24%	26%	5%
Construction	29%	24%	41%	6%
Hospitality	38%	26%	26%	11%
Manufacturing	35%	30%	28%	7%
Transportation	43%	24%	24%	9%
Wholesale	30%	30%	30%	9%
Retail	35%	26%	33%	6%
FIRE	39%	25%	30%	7%
Govt/Non-Profit	34%	34%	24%	7%

Note: Totals may be less or more than 100% due to rounding.

Table 9

Reasons for Turnover

In your consideration, what are the top three reasons that employees leave your organization, not counting lay-offs or other actions taken by the organization?	Percent of all respondents
Other job opportunity	41%
Better pay/compensation	36%
Moved from the area	27%
Work schedule or conditions	13%
Unhappy with manager/supervisor	7%
Retirement	6%
Lack of other benefits (not medical)	6%
Childcare problems	6%
Transportation difficulties	5%
Insufficient medical coverage	4%
Other dependent-care problems	2%
Housing problems	1%

A joint survey conducted in 2000 by the Hudson Institute and Walker Information asked 10,000 employees from 32 countries, "What makes you loyal to your employer?" and found three consistent responses:

- Trust
- Fairness
- An opportunity to grow

Global human resources consulting firm Watson Wyatt reported in March 2001 that top employees younger than 30 from more than 400 companies rate "the opportunity to develop skills" more important than "money" as a meaningful reward and reason to stay with an employer.

A Snapshot of Employers with 51 or More Employees

Thirty-nine percent of employers with more than 50 employees, the most optimistic group of employers, anticipate adding staff during the middle months of 2001. Hindering these plans, among other factors, is the severity of problems encountered in recruiting and hiring qualified employees; 33 percent of these employers report "very" severe problems, and an additional 41 percent report "somewhat" severe problems.

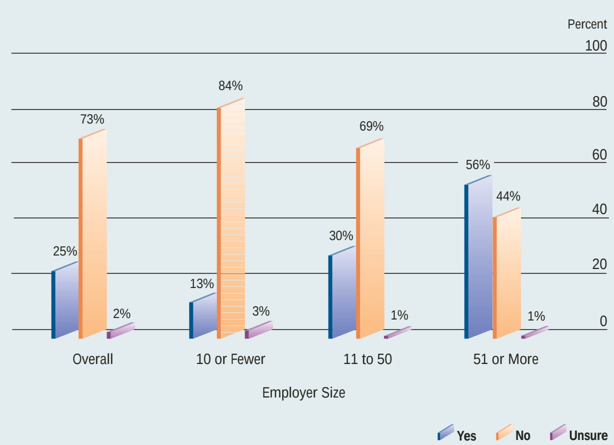
By all measures, these firms were the most advanced in their workforce development practices; they are more likely to conduct exit interviews, measure turnover and use such measurements for continuous improvement, assist employees with barriers to employment and retention, and have dedicated staff for recruitment, training, retention, and career development.

These largest employers are also most likely to feel the burden of employee turnover. More than half (51%) of the employers with 51 or more employees say that they face a significant cost due to turnover, while an additional 24 percent say that the cost they face is present, but not very significant.

It is important to understand that these surveys, and the many others like them, do not imply that money is unimportant to employees. Indeed, "fairness" as defined in the Hudson-Walker survey includes the notion of fair pay. The point to be made is that whereas paying good money may once have been the primary factor in retaining good employees, it is now merely a "price to play"—in other words, good salaries only get an employer in the game of recruiting qualified employees, but they are not sufficient to retain employees who are otherwise dissatisfied with the circumstances of their employment.

Figure 4

Does Your Organization Measure Turnover?



Note: Totals may be less or more than 100% due to rounding.

To better understand and reduce turnover in a company, employers must confront the situation and ask hard questions with an open mind. One way of doing so is to conduct exit interviews when employees leave. This survey found that fewer than half (46%) of the respondent companies conduct exit interviews (see Table 10). Admittedly, exit interviews are not always possible and may frequently be uncomfortable for both parties, but the information gathered can prove invaluable.

Table 10, along with Figure 4, further shows that only one-quarter of respondents measure the turnover in their organizations. Employers with 10 or fewer employees are least likely to measure turnover, with only 13 percent of respondents doing so. The percentage, while higher, is not overwhelming among larger employers, with 30 percent of employers with 11 to 50 workers and 56 percent of employers with 51 or more workers measuring turnover. Given that larger employers are more concerned about the cost of turnover, it is not surprising that the likelihood of measuring turnover is directly related to the size of the organization. These findings parallel the fact that larger employers are also having a harder time recruiting qualified employees, and that they are also more likely to add employees over the coming six months.

Table 10

Addressing Turnover

	Does your firm conduct exit interviews?			Does your firm measure turnover?		
	Yes	No	Unsure	Yes	No	Unsure
Overall	46%	50%	4%	25%	73%	2%
Employer Size						
10 or fewer	31%	64%	5%	13%	84%	3%
11 to 50	57%	41%	2%	30%	69%	1%
51 or more	73%	24%	3%	56%	44%	1%

Note: Totals may be less or more than 100% due to rounding.

Measuring turnover is one thing. How it is done, and for what purpose the information is used, is another. As shown in Table 11, those 25 percent of employers who do measure turnover, 57 percent measure the cost of that turnover (or about 14 percent of all employers). Fifty-nine percent measure turnover at the company or organization level only, while 38 percent calculate turnover at the individual departments and subgroups level. And only 22 percent (approximately five percent of all employers) use turnover measures as *specific* targets or measures for managers and supervisors, while another 36 percent use those turnover measures *informally* in the review of managers and supervisors.

Once an employer has a sense of the rate of, and reasons for, turnover, taking effective steps to reduce turnover is critical. As Table 9 indicated, a sizeable percentage of employers reported that employees leave their organizations because of problems with issues such as child or dependent care, transportation, or medical or other benefits coverage. Figure 5 further shows that larger companies are more likely to assist employees with addressing such barriers to remaining on the job. However, fewer than 50 percent of the firms with 51 or more employees offer such assistance.

Attending to such matters takes time and sufficient numbers of staff—things that many companies simply do not have. Seventeen percent of employers have at least one full-time employee strictly dedicated to recruitment, 19 percent have at least one full-time employee dedicated to training, and 15 percent have at least one full-time employee dedicated to career development and employee retention (see Figure 6 and Table 12). Larger employers are more likely to have staff dedicated to any one of these workforce areas, as expected.

Nearly 80 percent of employers do not have dedicated staff for any one of the three human resources functions. Interestingly, however, there is not a significant difference in such staff patterns between those organizations that found recruitment and retention as a "very severe" challenge and those that found the challenge to be "not very severe."

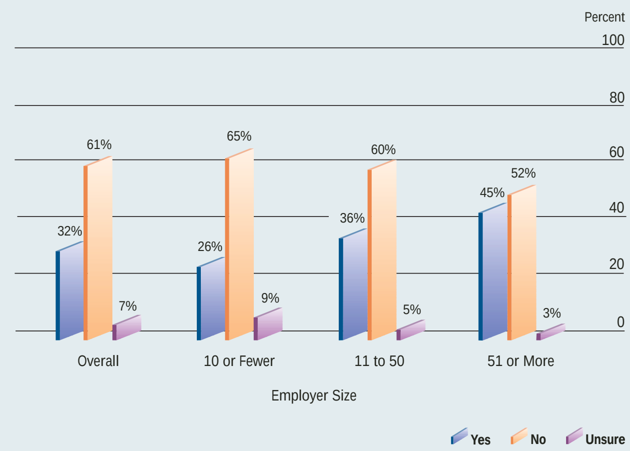
Table 11

Turnover Measurement

	Yes	No	Unsure
Is the Cost of Turnover Measured?	57%	38%	5%
	Overall by Company	**By Individual Depts/Subgroups**	**Unsure**
How is Turnover Measured?	59%	38%	13%
	Specific Target or Measure	**Informally**	**Not Considered**
How is the Measurement Used in Evaluating Managers/Supervisors?	22%	36%	31%

Figure 5

Does Your Organization Assist with Barriers to Employment and Retention



Note: Totals may be less or more than 100% due to rounding.

Figure 6

Do You Have Staff Dedicated Full-Time to Workforce Develpment?

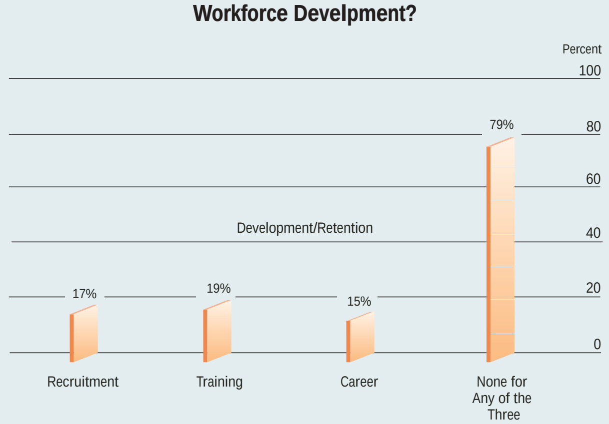


Table 12

Dedicated Workforce Development Staffing

Does your organization have at least one person dedicated full-time to:	Workforce Development Activities			No dedicated staff for any of the three
	Recruitment	Training	Career development/ retention	
Overall	17%	19%	15%	79%
Employer Size				
10 or fewer	10%	11%	8%	88%
11 to 50	17%	21%	16%	77%
51 or more	39%	42%	35%	52%

EFFECTIVE RECRUITMENT

As Table 13 shows, respondent employers are using traditional workforce recruitment channels including employee referrals, newspaper ads, and walk-ins most frequently. The use of employee referrals is positive, as various studies have indicated that satisfied employees are highly likely to want other qualified and complementary co-workers at their place of work.

Table 13

Recruitment Sources

Which of the following have you used to recruit employees over the past six months?	Percent of all respondents
Employee Referrals	49%
Newspaper ads	46%
Walk-ins	35%
Temporary Service Agencies	20%
Internet	18%
Community Colleges	17%
Colleges	15%
Competitors	15%
Government Services, other than One-Stops	12%
Job Fairs	11%
Trade Associations	10%
Community Organizations	10%
One-Stop Career Centers	5%
None of Above	29%

Employers were also asked whether they are actively recruiting individuals who are welfare participants. Results, as shown in Figure 7, reveal that relatively few of the employers in these six communities have hired anyone who has transitioned off welfare in the past three years. The employers most likely to have hired someone from welfare are those with 51 or more employees, with approximately 40 percent having done so. Employers with 10 or fewer employees are the least likely, having hired someone from welfare in only 1 out of 10 such companies. Overall, only about 20 percent of all companies has hired a welfare participant in the last three years.

These results do not mean, however, that companies are not willing to hire welfare participants. When asked the degree of their willingness to hire someone from this population for an opening in the next year, fully 50 percent of all respondents said they would be "very" willing, and an additional 29 percent said they would be "somewhat" willing (see Figure 8). In response to this question, even the smallest of employers indicated high degrees of willingness, with 43 percent "very" willing and 30 percent "somewhat" willing to hire. Companies with 51 or more employees were most willing, having 60 percent "very" and 25 percent "somewhat" willing to hire someone who has transitioned off welfare.
The caveat should be included that separate studies indicate very clearly that virtually every employer shares the opinion that all applicants, including welfare recipi-

Figure 7

Has Your Organization Hired Someone From Welfare During the Past Three Years?

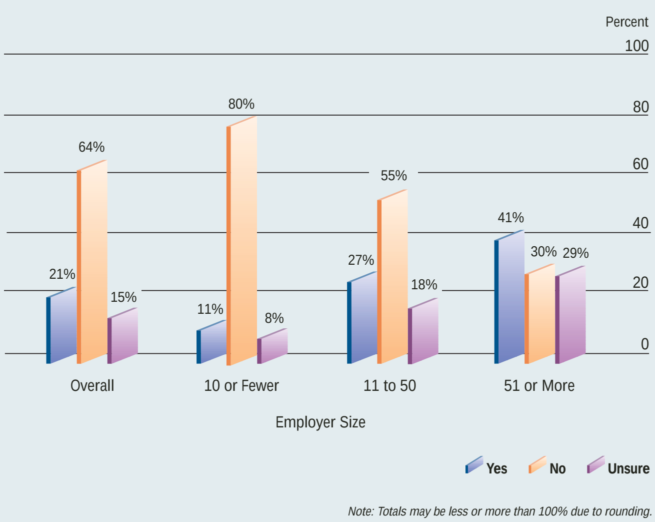
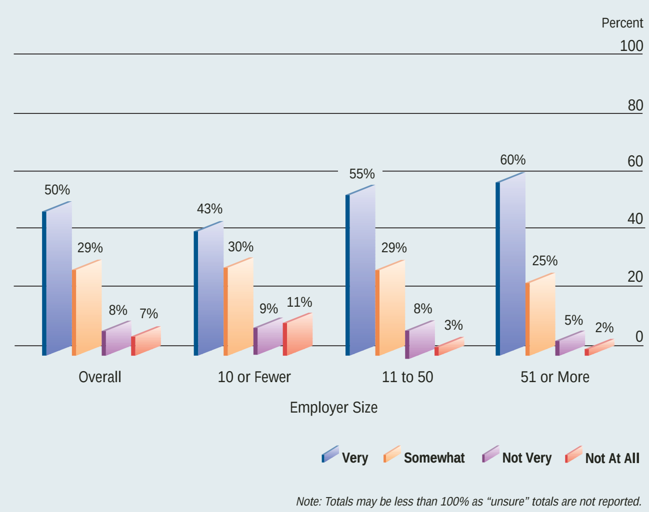


Figure 8

How Willing is Your Firm to Hire Someone From Welfare?



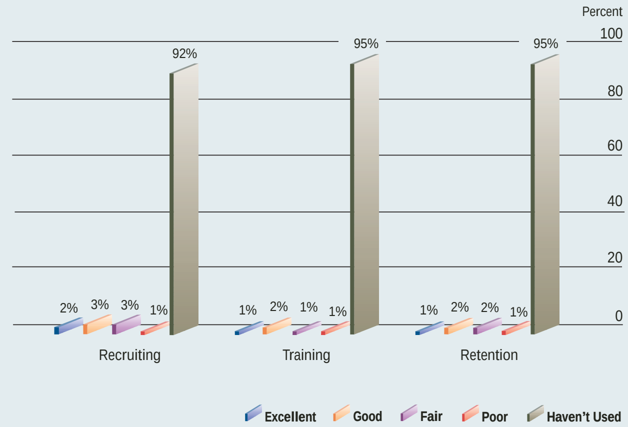
ents, need to have a minimum level of essential "employability" attributes such as timeliness, reliability, and decision-making and interpersonal skills to be considered qualified applicants.

Why have so few employers hired welfare recipients if indeed there is such a high willingness to do so? While no one answer fully satisfies this question, one explanation is that an extremely small percentage of employers has ever used the new system of One-Stop centers established under the 1998 Workforce Investment Act—the primary resource for placing and supporting both welfare recipients and employers in the public workforce system.

As Figure 9 clearly shows, approximately 95 percent of all employers in these six communities have never used One-Stop centers for recruiting, training, or retention services or assistance. In some cases, it should be mentioned, One-Stop centers have been in existence for a relatively short period of time, thus limiting the amount of outreach and service offered to date. Perhaps as interesting as the overall usage rates is the distribution of satisfaction levels of those employers who have used One-Stop centers in these communities. Among the relatively few employers who have used the One-Stops, there is a relatively even distribution among those who thought the services were "excellent," "good," "fair," and "poor."

Figure 9

How Would You Rate One-Stop Centers on Assisting With:



Note: Totals may be less or more than 100% due to rounding.

BOTTOM LINE IMPACT

Given the data presented so far, it should be no surprise to readers that nearly 30 percent of employers report that their local labor market negatively impacts their bottom line, while 37 percent report no net effect (see Table 14 and Figure 10). Industries most effected include the construction industry, in which 44 percent of respondents report negative impacts, health and social care (38%), and the entertainment sector (38%). Among organizations having 51 or more employees, 36 percent rated the impact of the local labor market as having a negative impact on their organization's bottom line.

Interestingly, 29 percent of respondents actually report that the local labor market has a positive impact on their bottom line. Of these, 47 percent have 10 or fewer employees, and an additional 35 percent have between 11 and 50 employees. Thirty percent are in the services industry, while 16 percent are in retail trade. There are no significant differences between employers reporting a positive impact on their bottom

Table 14

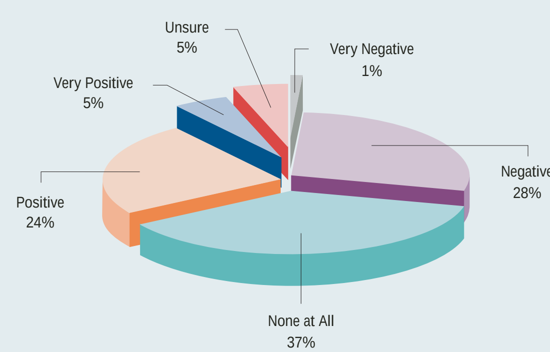
Impact of Labor Market on Bottom Line

How would you say the current labor market impacts your bottom line?	Positively (composite)	None at all	Negatively (composite)	Unsure
Overall	29%	37%	29%	5%
Employer Size				
10 or fewer	27%	45%	24%	5%
11 to 50	33%	29%	34%	4%
51 or more	32%	29%	35%	4%

Note: Totals may be less or more than 100% due to rounding.

Figure 10

What is the Bottom Line Impact of the Local Labor Market on Your Firm?



line and the sample of employers as a whole, leaving open the question of why the local labor market is helping some employers and hurting others.

What is clear is that employers across the board report a need to become better informed about their local labor market and workforce. Only 27 percent of employers report themselves as very knowledgeable about the labor market and workforce in their community, while 18 percent report themselves as not very knowledgeable (see Figure 11). Small employers with fewer than10 employees are much less likely to consider themselves “very knowledgeable” (22%) than are those employing 51 or more (40%.) Employers generally rank themselves as “somewhat knowledgeable” about their labor market and workforce.
Yet 46 percent of employers think it will be “very important” that someone in their organization has some mastery in this issue area while another 38% rank it “somewhat important.” Only 16 percent of employers think there is little or no importance to this issue (see Figure 12).

Figure 11

How Knowledgeable are You About the Local Labor Market?

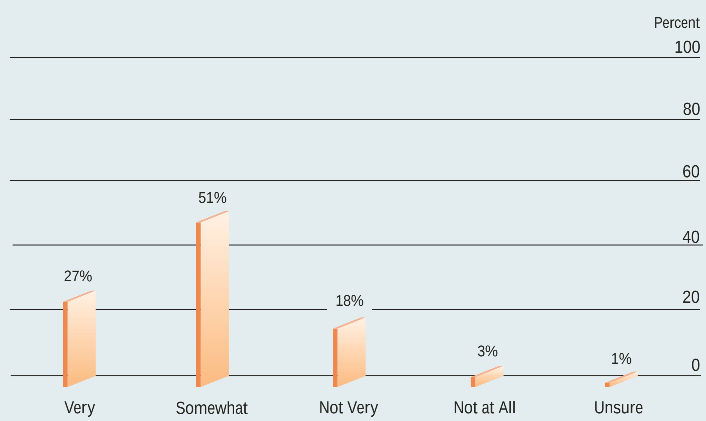
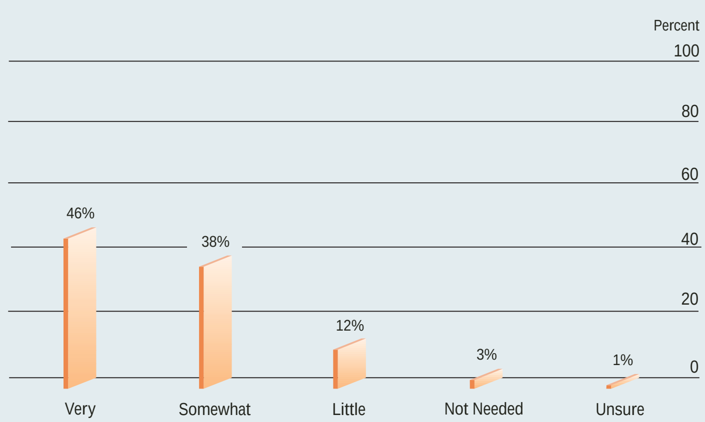


Figure 12

How Important is it For Someone in Your Organization to Be Knowledgeable about the Local Labor Market?



WORKFORCE ACADEMIES

The Center for Workforce Preparation (CWP), in partnership with WorkForce 2020 of the Orlando Regional Chamber of Commerce and the U.S. Department of Labor, is engaged in a two-year demonstration project with a number of local chambers and their communities from around the country. Six chambers were selected in 2001, and four more will join the project for 2002. As a result of this project, CWP, in collaboration with these selected chambers and their teams of local and state workforce partners, will develop Workforce Academy models proven effective through experience and application. These models will be available for implementation throughout the chamber federation at the completion of the project.

Academies employ a three-pronged approach to addressing workforce development issues:

- Research,
- Education, and
- Action.

First, local chambers and their community partners conduct the necessary research to understand their local workforce market. This includes a survey of at least 300 employers in their region to determine current challenges faced in hiring, training, retaining, and advancing qualified workers. Second, chambers conduct a series of Workforce Academies to inform and catalyze business, workforce, and other leaders in their community on workforce issues. And third, chambers host a series of Academy Roundtables in which business leaders formulate specific recommendations and actions to resolve workforce issues.

Local chambers also work with their state chambers and a network of state-level agencies such as the state workforce investment board, state departments of labor, education, transportation, economic development and human services, and state-level trade associations and community-based organizations to educate and inform state-level policies and practices around workforce development. This local-state approach seeks to inform and empower local businesses, improve cooperation between business and local workforce service providers, and enhance coordination among the local and state chambers and key state-level policy and service bodies.

Workforce Academies are one-day forums for local business leaders, workforce board members, workforce service providers, and other key stakeholders to develop common language, definitions and understandings about the workforce challenges facing their community. Academies address a core of five topics:

- Work and workers in the 21st century
- The impact of turnover and its cost to the bottom line
- Local best practices in hiring, training, retaining, and advancing workers
- Why good employees leave
- Community resources that assist employers

Through these Workforce Academies, the business community is better equipped to engage in the creation of solutions to their community's workforce development concerns and issues. Evaluations of Workforce Academies and Roundtables in a number of communities have revealed the following outcomes:

- The employer community develops an expanded knowledge and awareness of workforce issues, challenges, and opportunities.
- Academies and Roundtables are a catalyst for action among employers and workforce development services and providers.
- The information shared in the Academies and Roundtables fosters an environment for a change in corporate culture related to workforce development.
- Employer participants learned about new avenues for recruitment and new sources for worker training.
- Employers have begun to take new actions to promote job retention.

Workforce Academies have proven to be an important piece of the puzzle as chambers seek to improve local workforce development systems, policies and practices for their members. Engaging, informing, and promoting strong business leadership in workforce development issues is a critical first step to creating a system that will be responsive and beneficial to employees and employers alike.

SUMMARY

Employers face innumerable challenges every day, from supply-chain management to access to capital markets, from keeping pace with changing technology to customer satisfaction and market expansion. In report after report, however, the challenges of hiring, training, and retaining a qualified workforce are consistently at or near the top of the list of issues facing all types and sizes of organizations today.

As is so often true with other challenges, old solutions and traditional approaches don't always work. Gone are the days of high unemployment and stacks of resumes for every job opening. Today, employers offer flexible work arrangements, employees change jobs as if they are channel surfing, and the current shortage of skilled workers will only deepen as the baby-boom generation begins to retire.

Improvements in public workforce development systems, policies, and practices are surely required; One-Stop centers need improved outreach and service quality, and employers need to know how to access these services. Just as important is the need for a review by employers of internal employment practices that addresses such issues as benefits, work design and structure, manager and supervisor training and support, childcare, transportation, and other factors related to hiring, retention, and advancement.

The Center for Workforce Preparation, through such projects as Workforce Academies, is working to assist local and state chambers of commerce and their members to improve workforce development systems, policies, and practices. Future versions of the "Keeping Competitive" report will provide updates on the challenges and successes employers encounter in their efforts to hire, train, retain, and advance qualified employees.