THE PREDICTIVE INDEX

2022 REPORT

The State of Talent Optimization

300+ executives reveal the cost of the “Big Quit,” and the top drivers of employee retention.

Talent optimization helps businesses avoid the *sting* of resignation by putting people in roles where they *soar*.

The Great Resignation. Mass Exodus. Big Quit. Whatever you call it, employee attrition is dominating headlines and putting work as we know it under the microscope.

Much like COVID-19, many thought The Great Resignation would have a quick resolution. The reality has been anything but—and it's throwing leaders for a loop.

Workers are tired and frustrated. They're realizing time is their greatest and *scarcest* asset, and they want to make the most of it. So, they're **reassessing why they work**—and quitting to find what truly drives them.

What exactly is it they're looking for? The answer's complex—but that's because *people are complex*. Their needs are constantly evolving, and there's no one golden path to solving those needs.

Yet **certain companies are learning to fight attrition—to great reward**. They're bobbing and weaving through the worst of The Great Resignation, and getting results by meeting their employees where they're at.

In November 2021, The Predictive Index surveyed 326 executives about The Great Resignation. Not only did they share their thoughts on why their people are quitting, but also their *own* mounting frustrations with work.

The results: Companies that prioritize the employee experience—whether through benefits, flexibility, inclusion, or a sense of purpose—**see clear reductions in turnover** compared to their peers.

If there's a common thread with these successful retention strategies, it's *being agile in the face of attrition*. Employees quit. Their engagement isn't guaranteed, and their effort shouldn't be taken for granted.

As the following report shows, companies that have the best odds of combatting churn recognize the value of their people, and put them in environments where they *thrive*. And they're achieving that success with **talent optimization.**

After reading this report, you'll learn how executives are tackling The Great Resignation, and how you can future-proof your own organization—with talent optimization.

If The Great Resignation has shown one thing, it's that a growing number of people feel they can't bring their full selves to work each day.

When employees don't feel safe within a culture, they may hesitate to share innovative ideas. When they don't trust **their manager**, that mistrust may seep into their work. And when these people can't be 100%, chances are your business won't achieve 100%, either.

Here's the bottom line: *Business success isn't up to chance.* It's about having the right people in the right roles, for the right business needs.

Talent optimization gives leaders the insights they need to **align business strategy with people strategy**, for optimal results. And *any* organization can practice talent optimization—including yours.

In the following pages, you'll learn how talent optimization is helping organizations navigate an uncertain future—by investing, first and foremost, in their people and their needs.

Hard-pressed for time? Skip to page 43 for our biggest findings.

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What is **talent optimization**?

Companies that practice **talent optimization** know this well: Successful businesses don't run themselves. You could have a trend-setting, market-shaking business strategy. But without people who can execute well, that strategy is meaningless.

Practicing talent optimization means ensuring your business and talent strategies are in sync. By aligning both strategies, you can move forward with your goals, confident in your teams and the work they're doing. The act of *gaining that alignment* consists of **four aptitudes**:

- **Design**: Building teams that are naturally equipped for the business strategy.
- **Hire**: Hiring the right people for the right roles within these teams.
- **Inspire**: Coaching employees to meet team needs, and advocating for their growth.
- **Diagnose**: Pinpointing and addressing disengagement within the team or organization.

For the purposes of this report, we've defined "talent optimized companies" as those that have aligned their business and talent strategies. **We've also defined 15 talent optimization practices**, detailed below:

- We have a business strategy.
- We understand each executive's confidence level in achieving each of our strategic priorities.
- We have a financial plan.
- We have a talent strategy.
- We have a well-documented talent strategy that is understood throughout the organization.
- Our talent strategy is completely aligned with our business strategy.
- We intentionally align our organizational structure with our business strategy.
- We have the right executive team in place to execute our business strategy.
- We consider the strengths and weaknesses of our workforce when we conduct strategic planning.
- We map leadership competencies to the business strategy.
- We have the right people throughout the company to execute our business strategy.
- We think people strategy is everyone's responsibility (not just HR's).
- Our core values align with the business strategy.
- When building teams for the company or for isolated projects, we have a credible way of anticipating team dynamics.
- We provide our hiring managers with objective behavioral and cognitive data on the candidates they're interviewing.

Note: Just because a company is talent optimized, doesn't mean the work is done. As you'll learn in the following pages, **talent optimization is a continuous effort and discipline**.

HIRE

Dr. Hume Johnson (she/her)

Executive Leadership Coach

"2020 was a watershed year. In a hundred years, when we look back at this moment, we're going to see it as the embryonic stage of the change in work. [...] It exploded into this moment: the 'return' of the worker. The pandemic didn't start it; the pandemic simply accelerated that and made it into a movement."

Dr. Jacquelyn Brady (she/her)

Professor of Psychology, San Jose University

"So many people are quitting their jobs. They can go watch YouTube videos and become specialized in something, and it doesn't cost them hundreds of thousands of dollars. They can really become whoever they want to become, and they don't have to put up with organizations not caring about them."

Wendy Fong (she/her)

CEO & Founder of Chief Gigs

"I think The Great Resignation is happening because people actually had time to think through what they enjoy and don't enjoy. You really have to hire people for the work that they do and it has to fit well. When all the glitter and extra money, office perks, and free lunches are gone, do they actually like what's left?"

The cost of resignation

For many, The Great Resignation is a grim reminder of The Great Recession of ‘08-’09, in which millions of workers lost their jobs and unemployment soared to as high as 10%.

But there’s a major difference between these two events. People are now leaving work of their own volition, and with good reason. COVID-19 created a space of deep introspection for many. That thinking led to a reassessment of work, life, and the balance between the two.

Work is on trial, and **the verdict is in**. Employees are done living on someone else’s terms. They’re demanding change from their employers, or else they’re willing to walk away. For these workers, the pandemic didn’t spark the fire; it simply fanned the flames.

As workers enjoy the most leverage they’ve had in their jobs **in decades**, employers are left grappling with the stakes. *What’s the cost of employee attrition? When a person gives their two weeks, how does that impact the organization—and the peers they leave behind?*

Our researchers set out for answers.

Get started on your **Hire** badge to learn how to attract and hire high-performers who fit the role, team, and culture.

GET STARTED

KEY FINDING

1 in 5 workers quit in the last 6 months.

The study began by asking executives the following question: "To your best knowledge, what percentage of your workforce **quit** in the past 6 months?" The average response across *all* industries was **20%**.

Takeaway

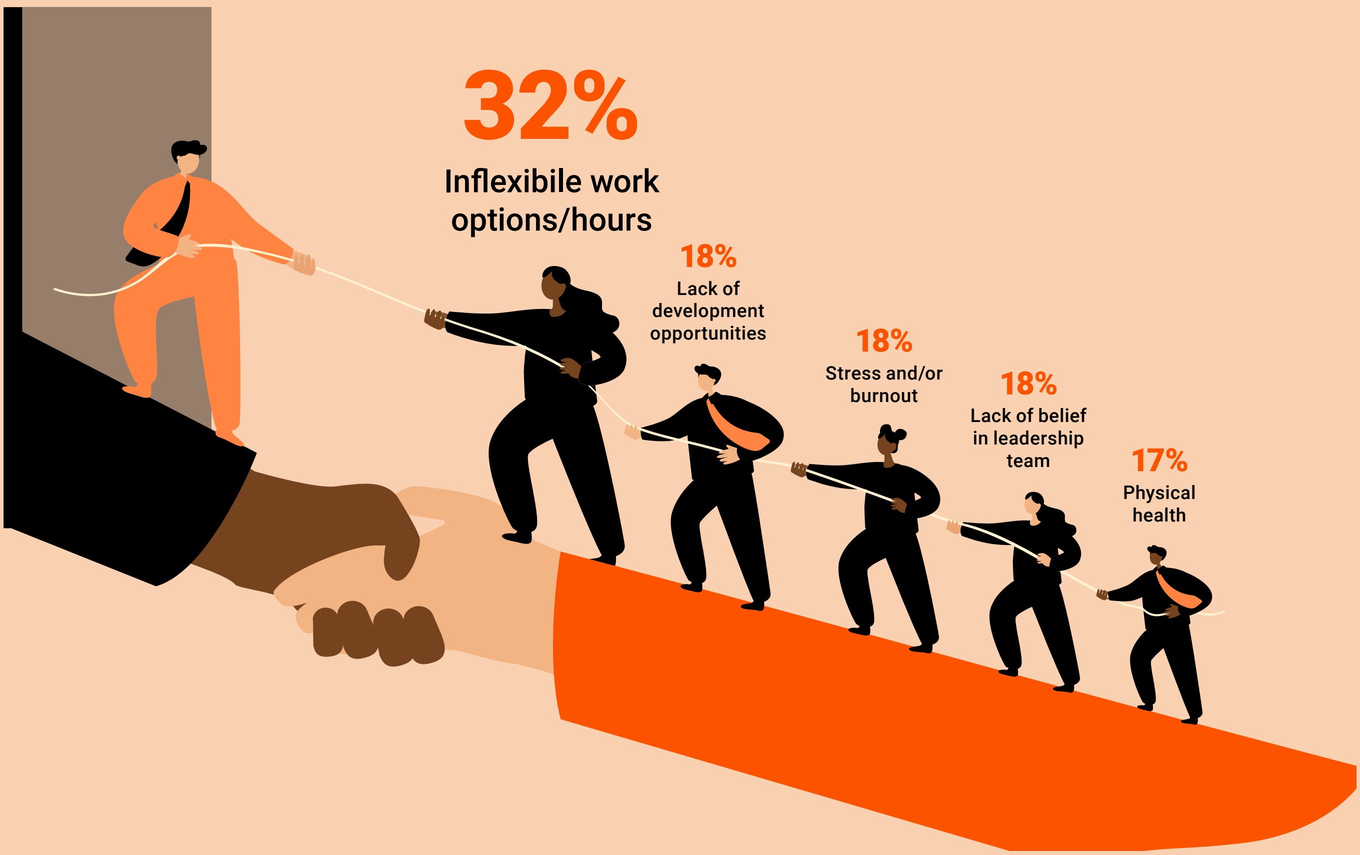
Employees are packing up and walking out at record rates. For employers, understanding *why* is the first step in taking corrective action.

KEY FINDING

The No. 1 driver of attrition is inflexibility.

Next, the survey asked executives to share the top reasons they believe their people are quitting. The No. 1 response, by far, was ***Inflexible work options/hours*** (32%).

Rounding out the top five were ***Lack of personal/professional development opportunities*** (18%), ***Stress and/or burnout*** (18%), ***Lack of belief in the leadership team*** (18%), and ***Physical health was suffering*** (17%).



Takeaway

Workplace flexibility is no longer "nice to have"; it's essential. In our Work on Trial documentary, we interviewed employees in pursuit of an even greater ideal—*freedom*. These people want to work where, how, when, and on what they want. If they can't find that freedom at their current organization, they'll leave to find it elsewhere.

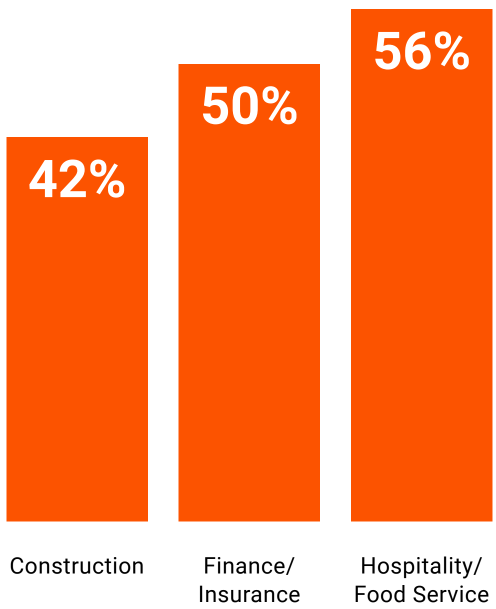
KEY FINDING

Inflexibility is hitting the Hospitality/Food Service industry the hardest.

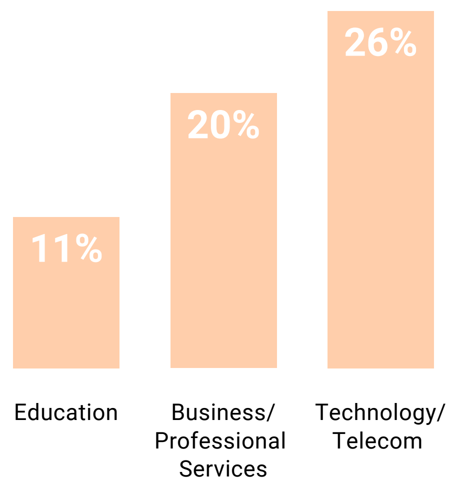
Our researchers were curious how inflexibility as an attrition driver varied by industry. Based on respondent data, the industry where inflexibility was *cited most frequently* was Hospitality/Food Service (**56%** of industry execs), followed by Finance/Insurance (**50%**).

By contrast, the industry *least impacted* by inflexibility was Education (**11%**), followed by Business/Professional Services (**20%**).

Industries **most impacted** by inflexibility



Industries **least impacted** by inflexibility



Takeaway

It's not hard to imagine why Hospitality/Food Service employees are fed up with inflexibility. These are servers, bartenders, and other workers whose jobs have been turned upside down by COVID-19. Unlike Education, where Zoom schooling left many parents and teachers **longing for the classroom**, industries like Hospitality are tired of the old way of work.

KEY FINDING

The cost of resignation is approximately $11 thousand per employee.

Our researchers posed the following question: “Consider the cost of hiring, onboarding, and training your employees. On average, what does an employee resignation cost you?” Based on the weighted averages of these responses, our researchers estimate the average cost of a single resignation is **$11,372**.

That may seem like a small figure. Remember, however, that one in five employees just quit in the past six months. If 100 people leave a company of 500, those resignations could cost upward of one million dollars.

Takeaway

For employers, it’s not just difficult to fill the talent void—it’s costly.

KEY FINDING

75% of executives say The Great Resignation impacted their financial stability.

When asked whether The Great Resignation has impacted their balance sheet, a staggering 75% of business leaders agreed.

Takeaway

The longer The Great Resignation lingers, the more likely even your *best* employees start to disengage. By improving the daily experience for these individuals—and retaining high performers who *are* engaged—you'll also be shoring up the bottom line.

KEY FINDING

82% of companies needed help with talent acquisition and retention over the past 12 months.

As these executives grapple with attrition, they're recognizing they don't have all the answers to their retention issues.

When asked "To what extent have you needed help with talent acquisition and retention over the past year," **82%** of respondents indicated they could have used either "extensive" or "some" help.

Takeaway

Work as we know it is changing rapidly. For businesses to adapt, leaders must be willing to accept new ideas, gain new perspectives, and follow emerging disciplines—such as talent optimization.

DESIGN

Dr. Hume Johnson (she/her)

Executive Leadership Coach

“For workplaces, a part of the reckoning has to be making sure these complex beings that you have, you see them as humans first and not just as laborers.”

Kemy Joseph (he/him)

Chief Equity Officer, F.E.A.R.S. Advantage

“Companies keep saying, ‘We want someone with a growth mindset.’ But if somebody cannot set their mind to growth in your organization, they’re not going to stay because they will feel they’re being held back. They actually want to be able to invest in something that’s going to give them a return on their investment as well.”

Dr. Jacquelyn Brady (she/her)

Professor of Psychology, San Jose University

“Look at the research. It shows that organizations should really be flexible in terms of scheduling hours. It’s showing that organizations can’t treat their employees like they’re part of a machine. They have to care about them. And so now, it’s a strategic move to care about your employees’ health and well-being. People are demanding it. So if you’re not doing it, from a competitive standpoint, your organization is going to lose top talent.”

Uncertainties of a hybrid future

For many organizations, **hybrid work** presents a bold new future. Major companies like Apple and Microsoft have publicized their remote-first policies, paving the way for scores of others.

It's an exciting time to be a leader, but that doesn't mean it's an easy time. As the top attrition drivers on **page 9** show, employees are rethinking *all* aspects of their relationship with work—from flexibility and trust in leadership, to career development and mental health.

While hybrid work may entice some to stay with their organization, it **isn't a cure-all** for attrition. Employee needs have changed, and will continue to evolve. Only by meeting people where they are today—and adapting to the uncertainties of tomorrow—can leaders create a workplace where everyone thrives.

The key to achieving that agility, and ensuring your organization's future-proof? Completely aligning your business strategy with your talent strategy.

KEY FINDING

Only 1 in 2 companies have a **business strategy**.

The section began by presenting executives with the talent optimization practices from page 5 and asking which practices apply to their organization. According to the results, only **46%** of respondents have a business strategy—down from **76%** in 2021, and **66%** in 2020.

In fact, *nearly all* of the 15 talent optimization practices highlighted in the study declined in prevalence compared to the year prior. If 2021 sparked renewed optimism after a dreary 2020, then 2022 is showing early signs that there's trouble afoot.

"We have a business strategy."

'20	'21	'22
66%	76%	46%

Takeaway

The steep decline may come as a surprise to many. Consider factors like COVID-19 and hybrid work, however, and it's clear the ongoing workplace shift is taking a toll on executive teams—and causing them to lose strategic clarity.

KEY FINDING

Even fewer companies (38%) have a talent strategy.

Executives' strategic struggles don't just impact business goals; they impact real people too. When asked whether they have a talent strategy, only 38% of respondents said yes—a decline from 55% in 2021, and relatively even with 2020 (37%).

"We have a talent strategy."

37%	55%	38%
2020	2021	2022

Takeaway

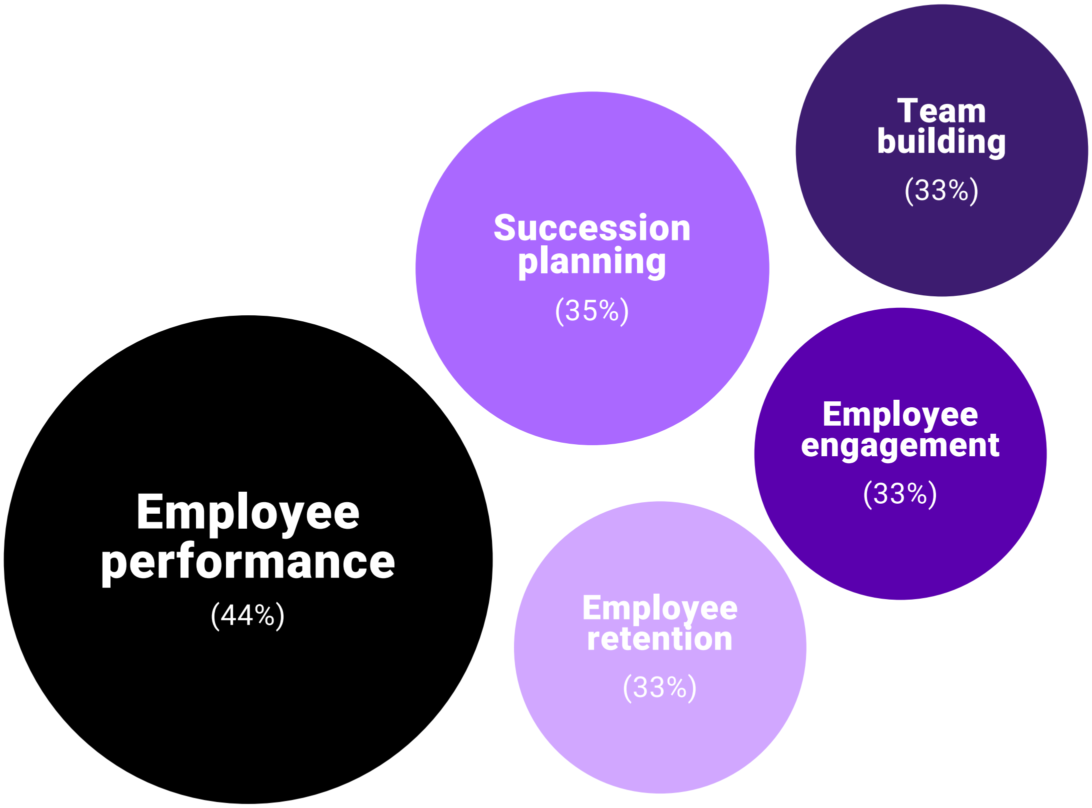
2022 promises a bold, new world of work. From revised office spaces to reinvented work models, the way co-workers interact is rapidly changing. Yet, without a concrete talent strategy to *guide* these employees, 62% of businesses are leaving their talent stranded on an island—with no rowboat in sight.

KEY FINDING

44% of executives need help with employee performance.

Our researchers were curious to learn which areas executives feel their talent strategy is lacking the most. They asked respondents the following question, “Where do you feel you could use help with your talent strategy?”

The No. 1 answer was *Employee performance* (**44%**), followed by *Succession planning* (**35%**), *Employee retention* (**33%**), *Employee engagement* (**33%**), and *Team building* (**33%**).



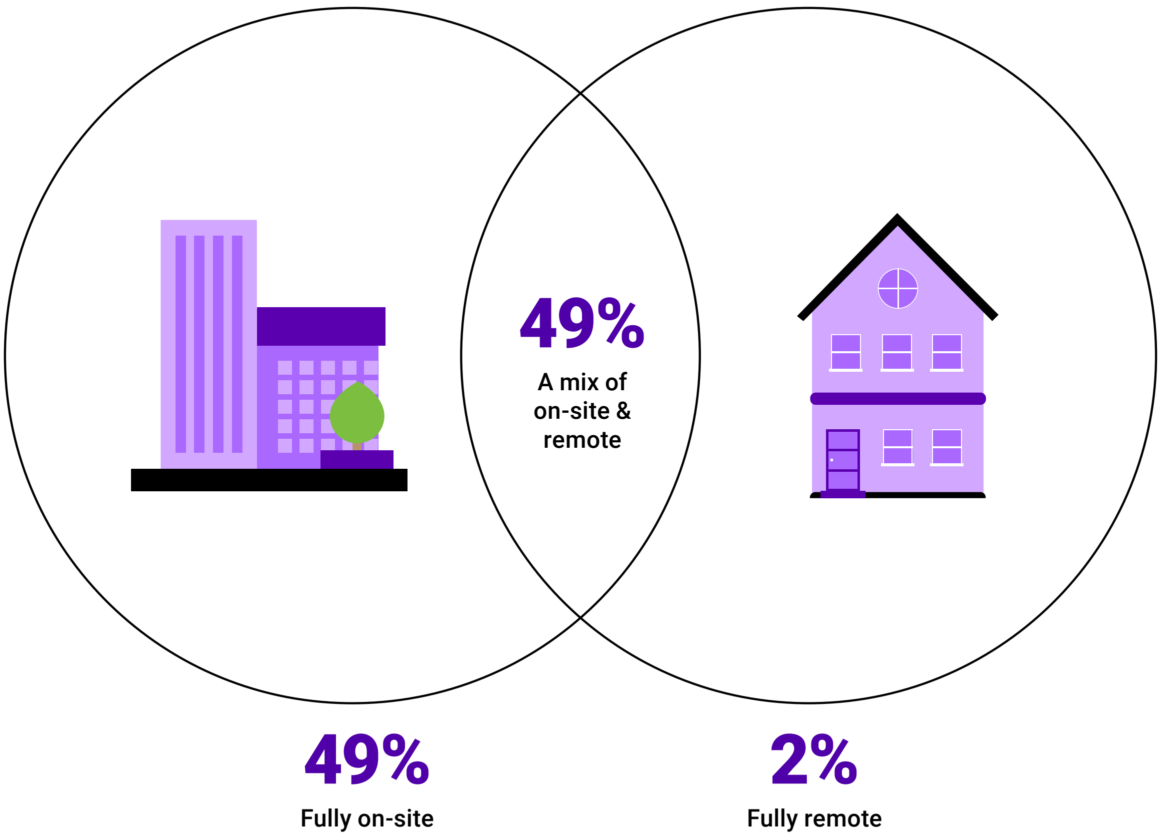
Takeaway

At a time of mass attrition, executives are hyper-focused on outcomes that can determine the life or death of their business: engagement, performance, and retention. But in reality, it’s the *other* two top responses—building great teams, and ensuring smooth succession when talent leaves—that help drive those outcomes.

KEY FINDING

51% of companies are offering remote or hybrid work.

The study asked executives to describe their current remote work policy. Fifty-one percent of respondents said they offer remote work in some capacity, while the other 49% said their people work entirely on site. Of the industries surveyed, the ones *most* likely to offer remote or hybrid work are **Education** (78%), **Business/Professional Services** (71%), and **Transportation/Distribution** (69%). By contrast, the industries least likely to do so are **Finance/Insurance** (33%), **Manufacturing** (38%), and **Hospitality/Food Service** (44%).



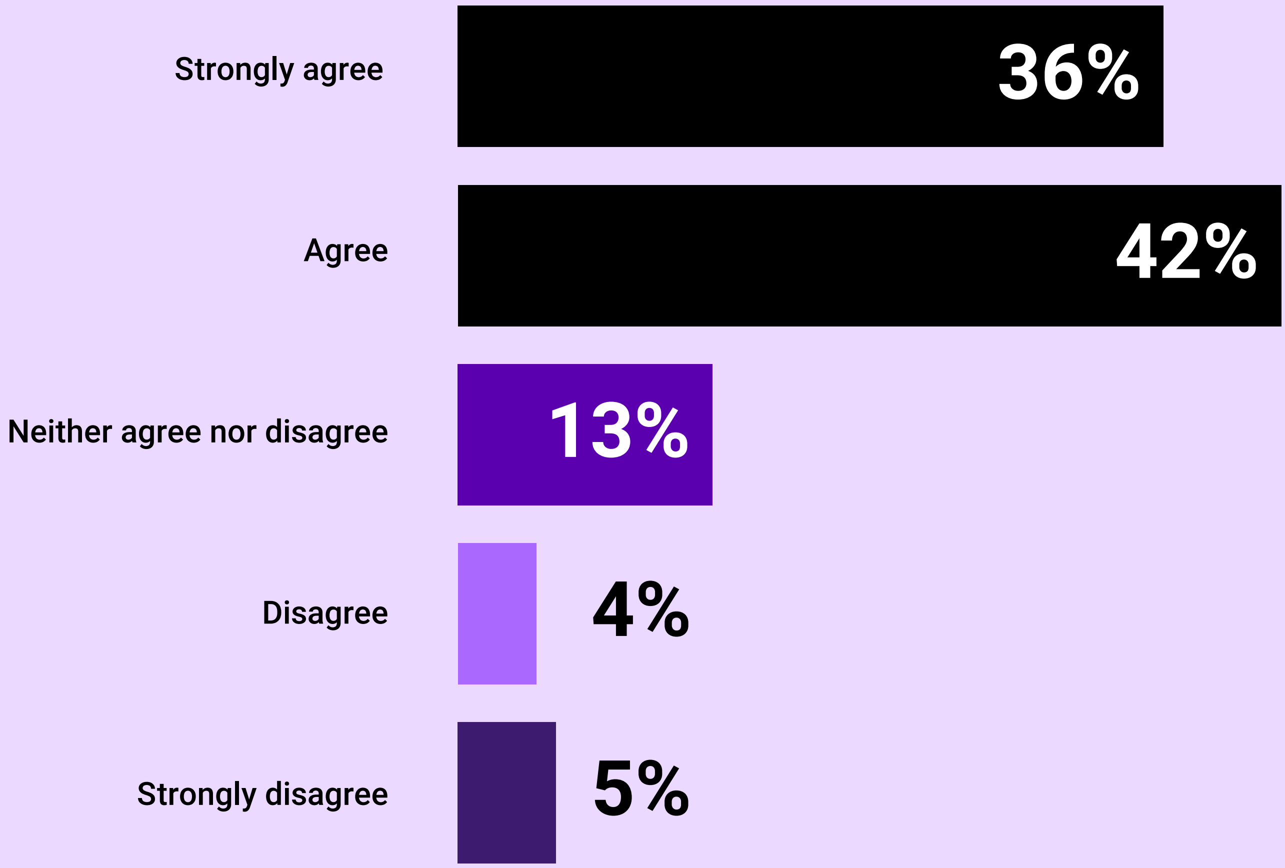
Takeaway

In June 2021, we asked a similar question about remote work as part of the [2021 People Management Report](). Of a nearly 2,000 employee respondent pool, 81% said their company offers remote work to some degree. In just half a year, that percentage has fallen to 51%—indicating many executives are already pushing back against the idea of a hybrid future.

KEY FINDING

Nearly 1 in 4 execs feel ill-prepared to lead through The Great Resignation.

Next, researchers asked executives whether they agree with the statement, "I have the skills to lead my team through The Great Resignation." Twenty-two percent of respondents said they disagreed or felt neutral.



Takeaway

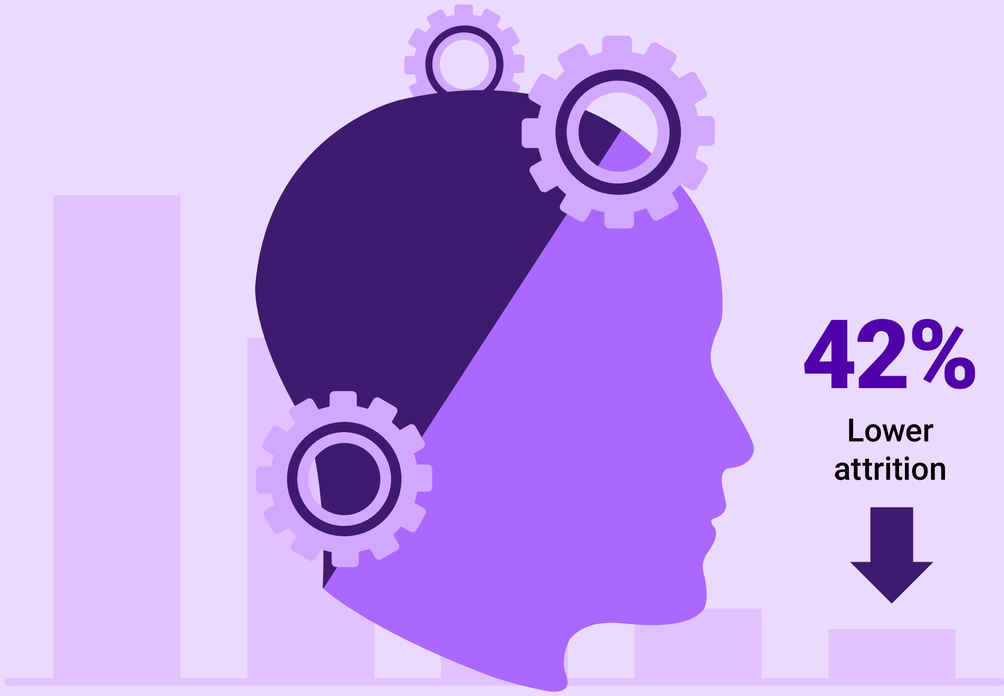
Combine the ongoing exodus of talent with the current gaps in strategic planning for 2022, and it's no wonder why many executives are hesitant about the future. But when talent is literally headed for the door, it's more critical than ever to have aligned strategies in place.

KEY FINDING

Companies with the *right* people in the *right* roles have 42% lower turnover.

Our researchers wanted to see what relationship they could draw between certain talent optimization practices and executives' self-reported company turnover rates. One practice in particular stood out: "We have the right people throughout the company to execute our business strategy."

A staggering 76% percent of executives indicated they **don't** have the right people in place for their strategy, while only 24% said they **do**. That alone may raise some eyebrows, but here's the kicker: Companies that *do have the right people* experience an average attrition rate of 13%, compared to 22% among their peers. That's a nine point improvement, amounting to a 42 percent change.



Takeaway

Having the right people in the right roles should be every executive's dream. When talent is in a position to execute on business strategy, it means you're leveraging your people's natural strengths—and optimizing their potential. *That's what talent optimization is all about.*

KEY FINDING

31% of companies say their business and talent strategies are completely aligned.

Clearly, the "post-COVID" era continues to complicate strategic planning among executive teams. Yet even as companies struggle to nail down their strategy for 2022 and beyond, there's cause for optimism.

According to the survey, **31%** of executives agree with the statement, "Our talent strategy is completely aligned with our business strategy." That's a *three-year high*, up from **23%** in 2021 and **12%** in 2020. So while fewer executives have clearly-defined business and talent strategies this year than last, those that do are making sure to align those strategies for the road ahead.

"Our talent strategy is completely aligned with our business strategy."

12%	23%	31%
2020	2021	2022

Takeaway

Talent optimization is a science—just like in chemistry or algebra, you need to balance both sides of the equation: business *and* talent. As companies become more adept at talent optimization, the more agile they become in the face of future hardships.

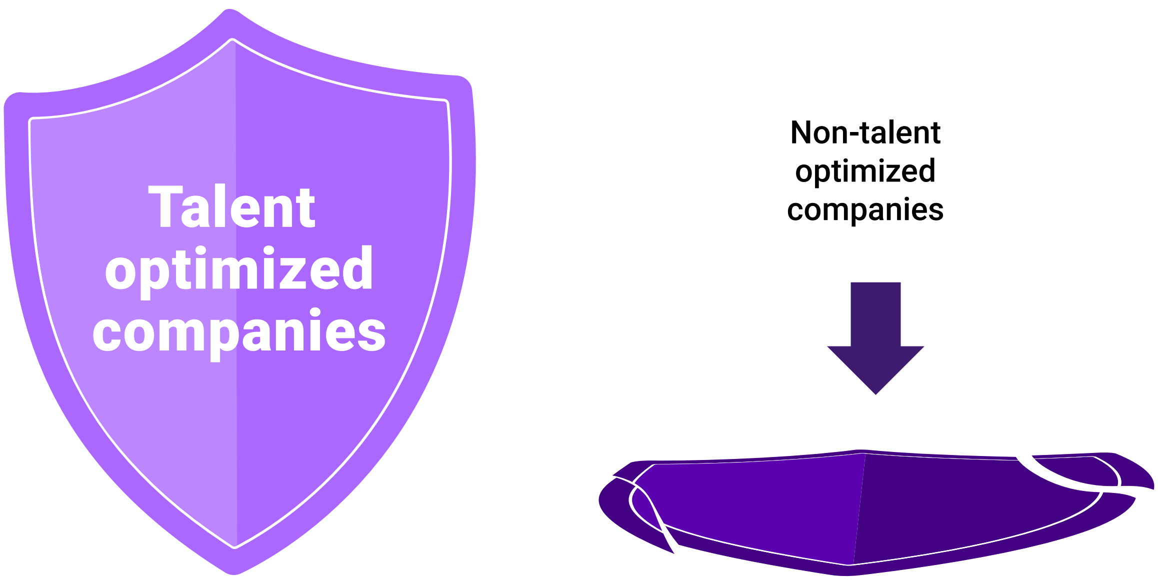
KEY FINDING

Talent optimized companies are nearly twice more likely to avoid the brunt of The Great Resignation than their peers.

In the 2021 State of Talent Optimization Report, we discovered 93% of talent optimized companies were able to avoid major financial hardship caused by COVID-19. Now, in 2022, the focus shifts to The Great Resignation, and how leaders can avoid the financial sting of lost talent.

Most companies will be impacted by The Great Resignation; **75% already *are***, after all. But business leaders have an opportunity to right the ship and weather the storm—so long as they treat their people strategy with intention.

Of respondents who said their talent strategy **isn't aligned** with their business strategy, only 11% say they've avoided the financial brunt of The Great Resignation. Among companies that **have** aligned strategies, that number jumps to 19%.



Takeaway

When resignation hits, leaders can **use talent optimization to coach and motivate** the talent that stays —and ensure a resilient workplace for the months to come.

INSPIRE

Wayne Morris (he/him)

Principal, Morris Consulting LLC

"The expectation that founders have on themselves when they take funding is that they need to grow 3x in the next 12 months. And then another 3x in the next 12 months. They're just throwing bodies at the problem. Instead, investing in the people that you already have is a self-fulfilling prophecy. It sends a signal to everyone in the company that you have peoples' backs and that you care about their pathway through the organization."

Phyl Terry (they/them)

CEO of Collaborative Gain

"Clearly one of the things that's changed is that job seekers want to bring their whole selves to the job. They want it to be recognized that they have children, spouses, aging parents [...] that they have a life with real challenges in it. They're not looking for the company to solve that, but they're looking for the company to have some understanding and compassion to allow certain kinds of flexibility."

Wendy Fong (she/him)

CEO & Founder of Chief Gigs

"I think businesses can strive to be more human by acting like humans. They tend to think that pay is enough. 'I'm exchanging money for this work that you're doing.' And that's it. Well, money is replaceable. So if you want your employees to stay, you really should have a relationship with them so that you can offer them more than just the money, because they can get the same money down the street."

Why executives quit

To navigate The Great Resignation, it's critical to understand "why." Other than inflexibility, *why are employees quitting? What changed to make them leave it all behind?*

In the last section, executives provided an answer "to their best knowledge": **work inflexibility**. But an educated guess doesn't always capture the whole truth—especially as employees who *don't* feel comfortable bringing their whole selves to work likely *don't* feel comfortable speaking up about sensitive issues, like a toxic workplace culture or lack of trust on the team.

While we might never know the truth behind why employees are quitting without approaching those employees, we can understand why executives are quitting by asking them directly. So, our researchers asked our respondents: What motivates *you* at work? What does it take to make you quit, and is the grass greener on the other side?

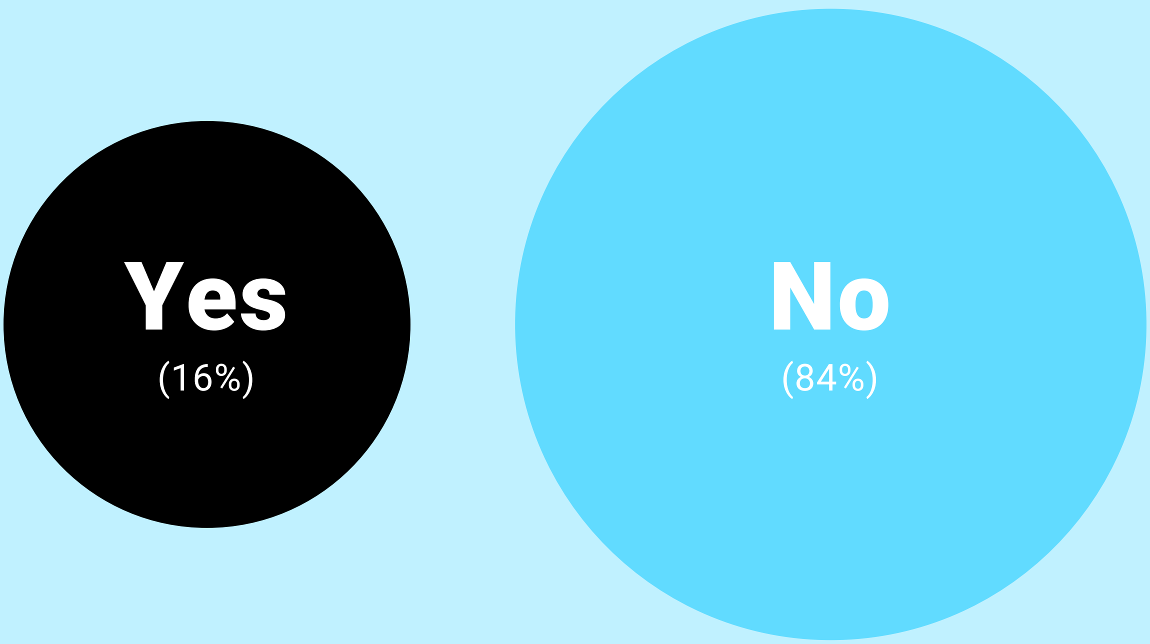
Here's what executives had to say.

KEY FINDING

16% of executives quit in the past year.

This section of the study began by asking executives a simple question: "Have you changed companies or quit within the past 12 months?" Sixteen percent of respondents said "Yes."

Have you changed companies or quit within the past 12 months?



Takeaway

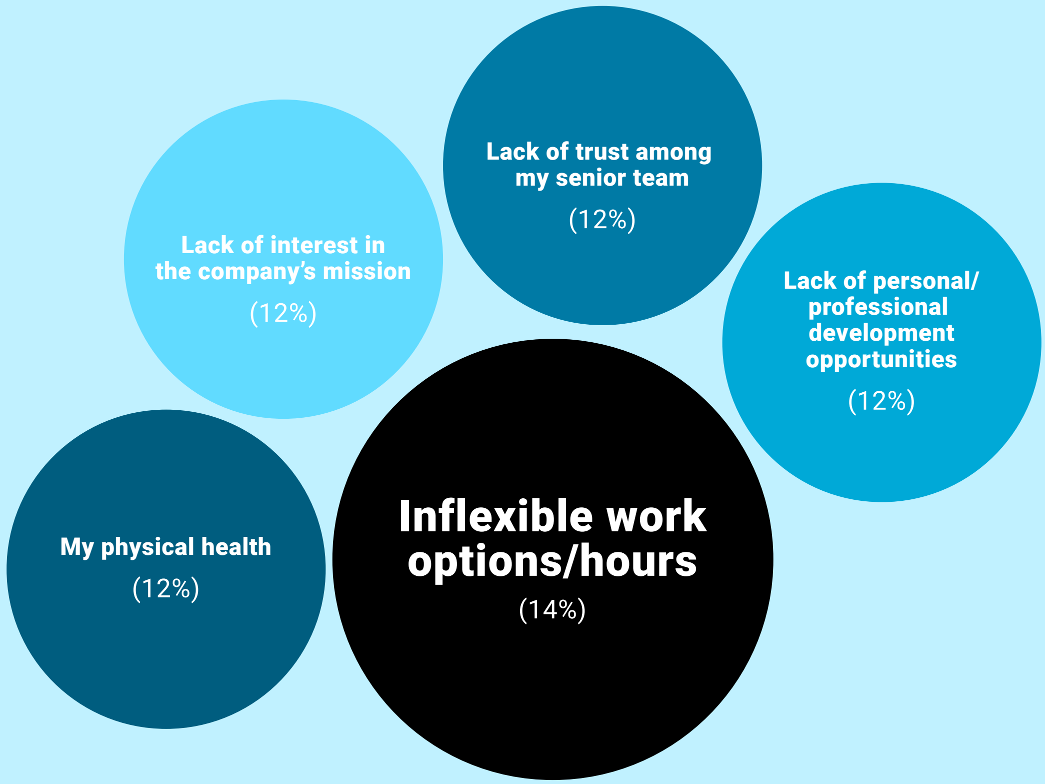
The attrition average we shared on page 8 (**20%**) may be higher, but this **16%** figure is arguably more concerning. These are *executives*; they set the tone for entire workplaces. When they're jumping ship, it's a sign of even worse attrition farther down the organization. The proof: Executives who *quit* their company reported an average total attrition rate of **36%**. By contrast, executives who *stayed* reported a turnover rate of just **17%**.

KEY FINDING

The No. 1 reason executives quit is inflexibility.

Next, the survey asked executives who quit what most motivated them to do so. The No. 1 response was *Inflexible work options/hours* (**14%**), echoing what they cited as the **main driver of company-wide attrition**.

Perhaps more interesting was the No. 2 answer. It was a four-way tie between four responses: *Lack of trust among my senior team* (**12%**), *Lack of interest in the company's mission* (**12%**), *Lack of personal/professional development opportunities* (**12%**), and *My physical health* (**12%**).



Takeaway

A company's mission and senior leadership team are organizational engagement drivers—they relate to how employees feel about their organization as a whole (versus how they feel about their *manager*, *team*, or *job*). According to our **Employee Engagement Report**, organizational engagement drivers are the most powerful. So when executives admit to a lack of interest in the mission, as well as a lack of trust in leadership, it's a major red flag.

KEY FINDING

Nearly 1 in 3 execs who quit aren't glad they did.

The grass may look great from afar, but it isn't always so green up close. Our researchers asked respondents who quit whether they were happy with their decision. Sixty nine percent agreed, while **31%** either disagreed or were neutral on the subject.

69%

Are glad they quit

31%

Not glad, or neutral

Takeaway

If 31% of brain surgeons aren't happy at a new hospital, that would be cause for alarm. And while running a business may not be life-or-death surgery, there are real implications when executives feel they can't bring their full selves to work.

KEY FINDING

The No. 1 reason executives stay is job fit.

Next, our researchers turned to the portion of respondents who *stayed*. The study asked these executives to share what most motivated them to stay. The No. 1 answer was *Good job fit* (**12%**), followed by *I find purpose in my work* (**10%**).

By contrast, the least popular responses were *Good relationships with my peers* (**2%**) and *I felt I'd be worse off leaving* (**2%**).

Top five reasons executives stay

12%
Good job fit

10%
I find purpose in my work

8%
Personal/professional development opportunities

8%
Flexible work options/hours

7%
Belief in the senior leadership team

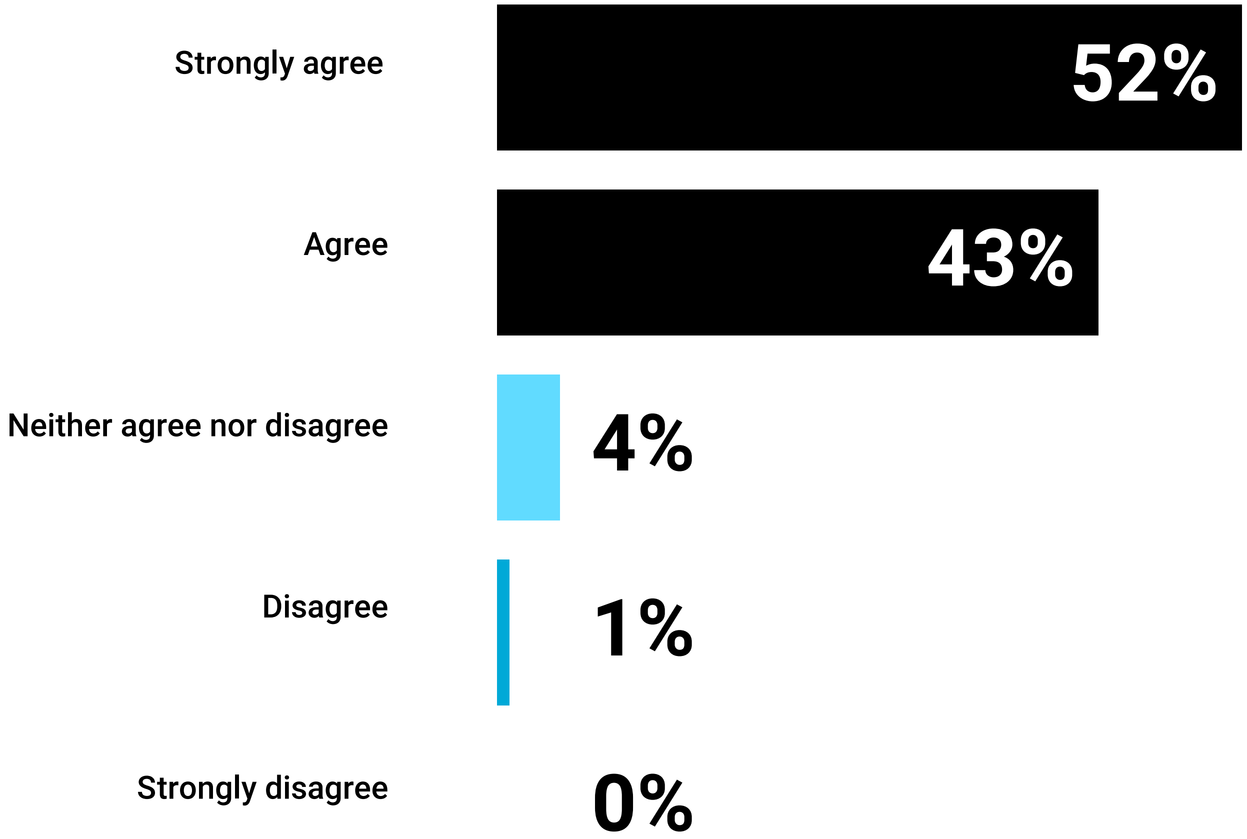
Takeaway

Job fit, plus purpose—it's a perfect summation of the ideal employee experience. When a person experiences "fit," it means they're able to bring their natural talents to work each day. Add purpose to the mix, and it signals a person's commitment not just to the present, but to the future of your organization.

KEY FINDING

95% of executives who stay are glad they did.

Our researchers asked the executives who stayed with their company whether they were happy with their decision. Ninety-five percent of these respondents answered positively. Compare these executives to those who quit their job—only *69%* were happy with their decision. Why the disparity? The most obvious answer is that many executives who quit simply did not find what they were looking for—whether that's flexibility, development opportunities, or something else entirely.



Takeaway

Changing jobs will always involve some uncertainty, and there's no guarantee the decision will pay off. As a leader, you can make this decision easier for your people—by **investing in retention**.

DIAGNOSE

Dean Patterson (he/him)

Senior Director of Operations at OPS Security

“We want people to go home and be happy. [I tell my employees,] ‘Bring your problems to work. Let us know what’s going on. Let me help you so, inevitably, we can get a better you showing up.’”

Phyl Terry (they/them)

CEO of Collaborative Gain

*“There is a growing movement for companies to recognize mental health is an important part of the equation. It is no longer OK to simply try to hide depression, anxiety, bipolar [...] It **is** the responsibility of the company to recognize that it’s a part of the equation, and to support people to get the help they need.”*

Dr. Hume Johnson (she/her)

Executive Leadership Coach

“The frustration is not just about money. We want a fairer workload. We want to feel that we’re supported. We want to feel like our decisions matter. [...] That we have some agency in how we show up for work. And the pandemic has really forced us to rethink what matters. Is this job worth my life?”

Investing in employee retention

Employee retention doesn't just happen. As with any other business goal, you need to ensure your talent strategy actively supports your efforts.

What does that look like? Our researchers examined how certain companies are outpacing their peers in terms of retention. **The main comparison point**: companies that avoided the average churn rate of 20%, versus those that did not.

As the following pages show, investing in retention *works*. But it starts with listening to your people—and diagnosing disengagement at its source.

Get started on your **Diagnose** badge to learn how to measure, analyze, and act on people data so you can build a strong company culture.

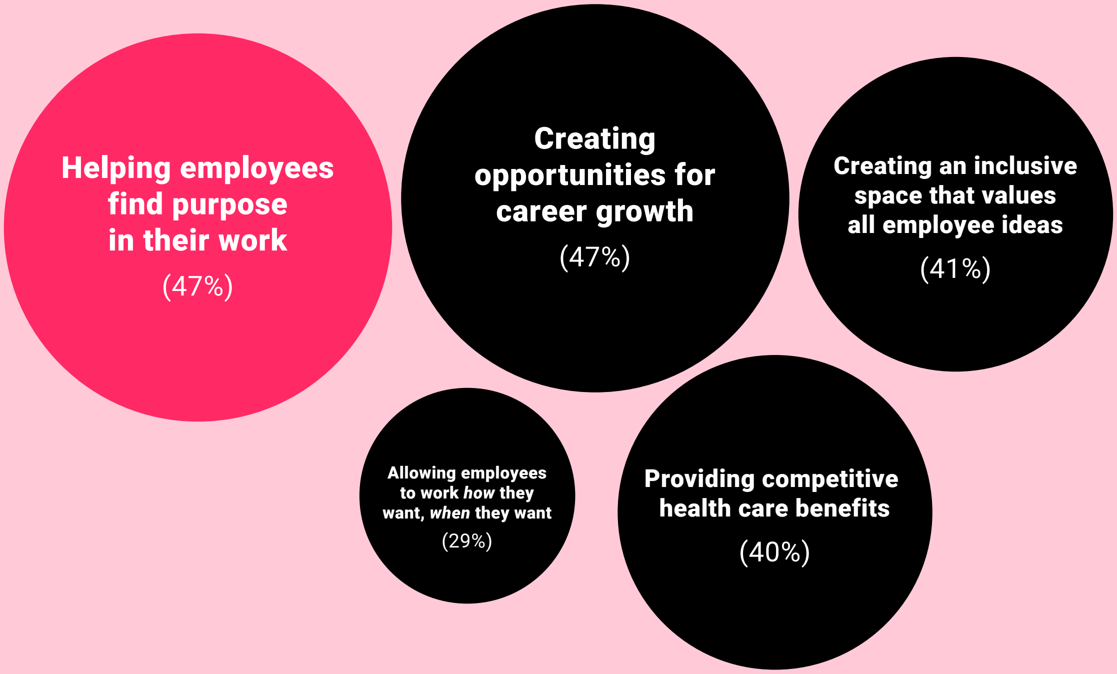
GET STARTED

KEY FINDING

Executives' No. 1 talent priority is helping employees find purpose.

Our researchers began the section by asking executives to share the top three ways their company is investing in people. According to respondents, the No. 1 priority is *Helping employees find purpose in their work* (**47%**), followed by *Creating opportunities for career growth* (**47%**) and *Creating an inclusive space* (**41%**).

Think back to the previous section, and the **top reasons executives stay**. The second most popular reason was: *I find purpose in my work*. Not only do executives seek purpose, but they're committed to helping their people find it too.



Takeaway

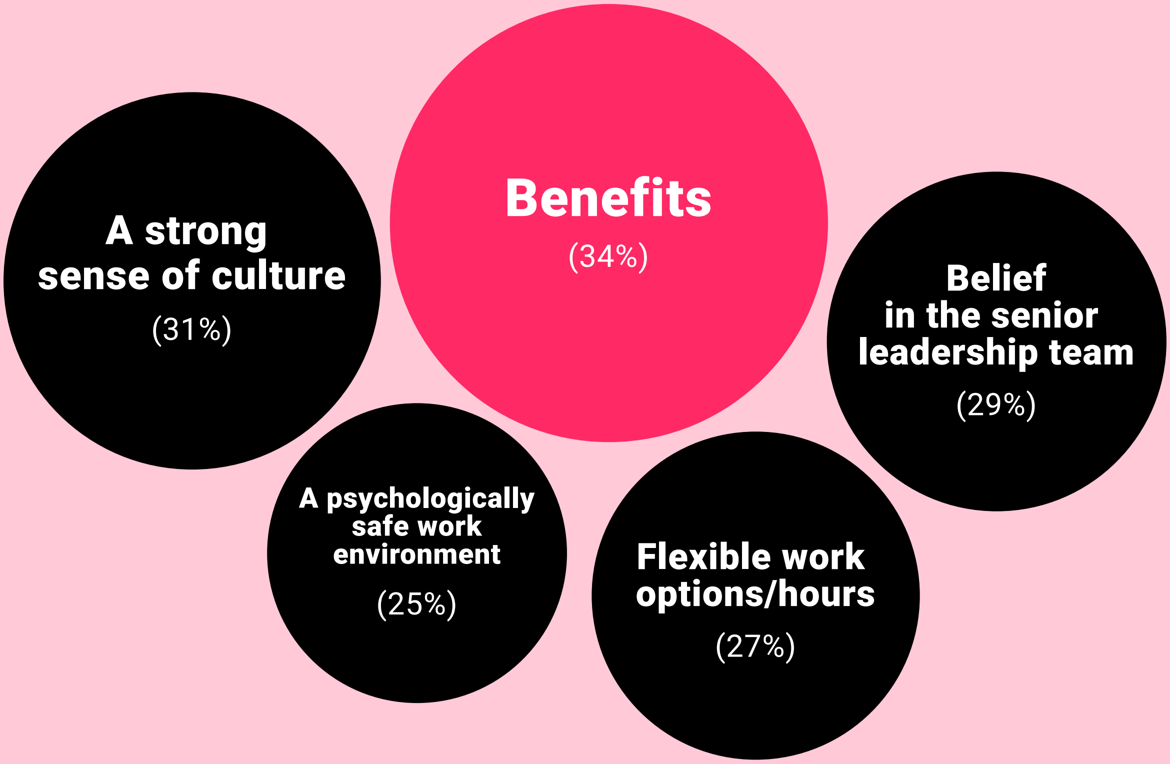
Inclusion, purpose, and career growth all speak to a universal trait among people: a need to belong. Employees don't just exist to sit in a seat. They want to be an active member of a *community*—one where their job has meaning, their voice is valued, and their growth is encouraged. For employers, this is an opportunity to nurture community by **instilling a culture of trust and psychological safety**.

KEY FINDING

The No. 1 driver of retention is benefits.

Executives also shared the top three factors driving retention at their company. The top response was *Benefits* (**34%**), followed by *A strong sense of culture* (**31%**) and *Belief in the senior leadership team* (**29%**).

Notably, these responses outperformed answers like *Career mobility* (**21%**), *Salary* (**17%**), and *Personal/professional development opportunities* (**11%**).



Takeaway

It's hardly surprising that culture and senior leadership help shape the employee experience. Both are top 10 engagement drivers after all, according to the Employee Engagement Report. But benefits as the No. 1 answer is far more striking. It underscores the gravity of a pandemic world—one where health and safety take precedence over everything else.

KEY FINDING

Companies that prioritize purpose also enjoy higher engagement.

Next, our research team wanted to explore the relationship between purpose and employee retention. The findings speak for themselves. Companies that cited purpose as a top talent priority also cited four retention factors far more frequently than their peers:

- Good job fit
- Good relationship with their manager
- Positive co-worker relationships
- A strong sense of culture

In the field of talent optimization, these four factors—job fit, manager fit, team fit, culture fit—are commonly referred to as the "**four forces of engagement**." When any one of these forces are compromised, it can lead to disengagement, and ultimately attrition.

Takeaway

The four forces of engagement are critical factors when crafting a retention strategy. So, by helping your employees realize a sense of purpose, you're creating the vehicle that'll put that strategy into motion.

KEY FINDING

Remote-friendly companies are experiencing 33% lower turnover.

Our researchers also compared turnover rates based on executives' remote work policy. Executives of fully on-site organizations (either by necessity or by choice) reported a turnover rate of **24%**. That number drops to **16%** among remote-friendly organizations (i.e., those that support hybrid or remote work in any capacity)—that's an eight percent decline (and 33 percent change).

Break this down further, and the results get even more fascinating. Based on these responses, companies that are 100% on site by *necessity* experience higher turnover (**26%**) than those on site by *choice* (**22%**).

Of hybrid companies, those experiencing the highest attrition are ones with an even mix on-site and remote employees (**18%**), followed by those with a remote majority (**15%**). Companies that have a majority of on-site employees, with some remote ones, experience the lowest turnover (**14%**).

Takeaway

As companies embrace a hybrid model, they're still looking to strike the right balance for their people. While there's no "right answer" to abide by, you can get invaluable direction simply by understanding **what drives your remote employees**. Some may cast the office off for good, but others may find those in-person interactions irreplaceable.

KEY FINDING

Companies that prioritize health care benefits experience 27% lower turnover.

Wishing one another “good health” has never felt more real. In 2021, COVID-19 experienced a startling resurgence in the form of the Delta variant. Now, in 2022, new variants like Omicron could continue to disrupt the workplace as we know it.

Employees are recognizing the importance of a healthy workplace. And they’re showing their support with retention. Among companies where *Providing competitive health care benefits* **isn’t** a top-three talent priority, executives reported a **22%** turnover rate. Among companies where health care benefits **are** a priority, the attrition rate falls to **16%**—a six point decrease (and 27 percent change).

Takeaway

Health care is most commonly associated with easy and affordable access to medicine. But more than ever, the definition of health is extending beyond the physical, into the realm of emotional health. From on-site therapists to other **mental health resources**, companies that cover health in all its forms will find themselves ahead of the curve in 2022.

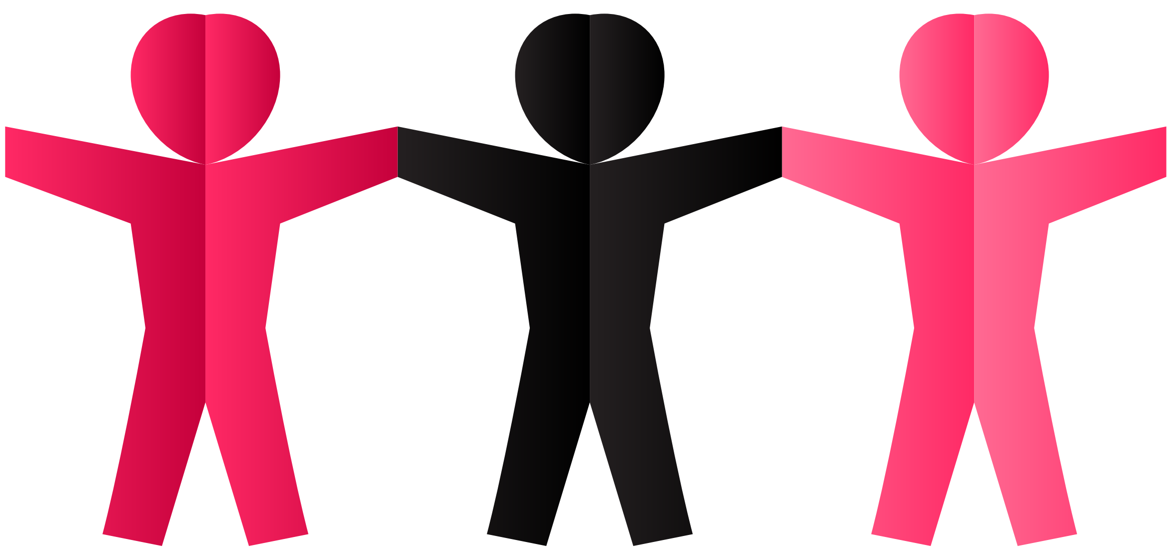
KEY FINDING

Inclusive companies are experiencing 19% lower turnover.

People want to feel safe physically in their organizations, but they also want to feel safe *psychologically*. They wish to share ideas freely, and rest assured those ideas will be heard and valued.

That feeling is so important, it's making the difference between a quit and a stay.

Among companies where *Creating an inclusive workplace* **isn't** a top-three talent priority, executives reported a **22%** turnover rate. Compare that figure to companies that **are** prioritizing inclusion, and the number drops to **18%**—a four point improvement (and 19 percent change).



Takeaway

The pandemic didn't just shine a light on the importance of health care, or the privileges associated with it. It sparked a discussion on inequity in *all* forms—including at work. At a time when organizations are pledging to improve diversity and **create change at work**, it's critical to remember what *drives* that change: inclusion of all voices, and all experiences.

KEY FINDING

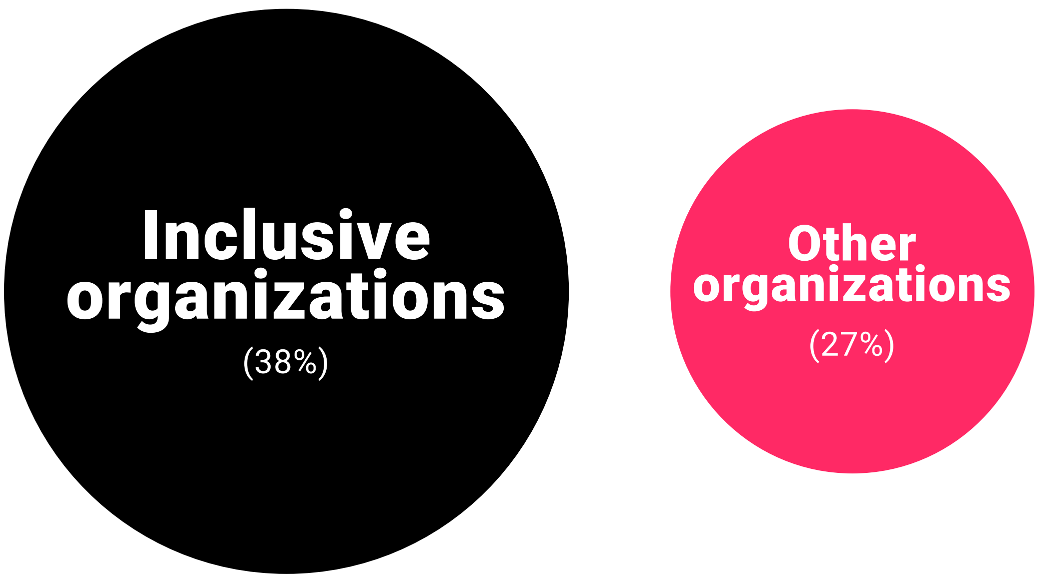
Inclusive organizations are 41% more likely to align business and talent strategies.

Inclusion isn't just a powerful way to fight attrition—it's also a **critical catalyst for talent optimization**.

Our researchers examined the relationship between companies' inclusion efforts and their talent optimization practices. Among executives where inclusion **isn't** a top-three priority, only 27% said their talent strategy is "completely aligned" with their business strategy.

For organizations that **do** prioritize inclusion, that number jumps to 38%. That's an 11 point improvement (and 41 percent change).

"Our talent strategy is completely aligned with our business strategy."



Takeaway

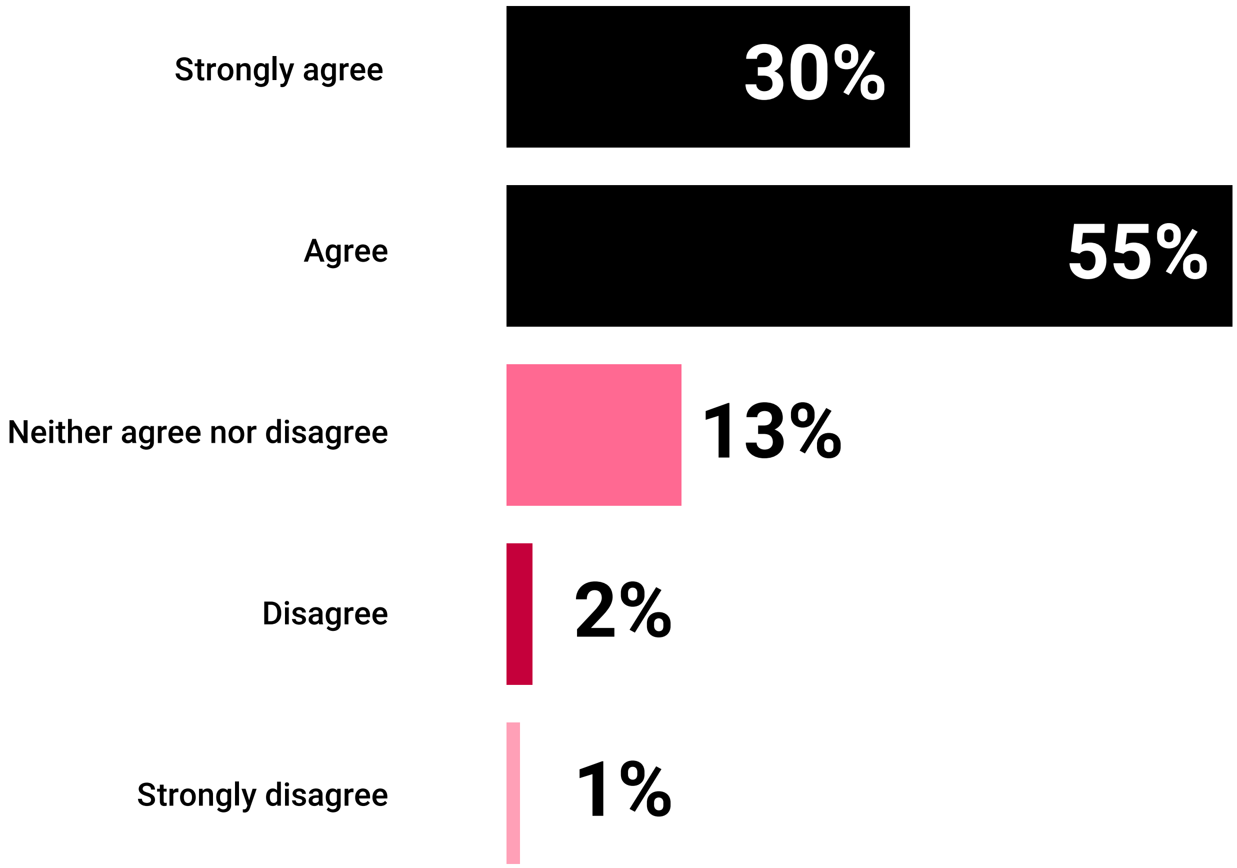
Inclusion is yet another gateway into the world of talent optimization. By **promoting self-awareness** within your organization and team, you encourage all people to share their voices. Diversity of perspective becomes a natural by-product on your way to a fairer, more just organization.

KEY FINDING

15% of executives are struggling to diagnose employee burnout.

Wherever The Great Resignation goes, **burnout isn't far behind**. As companies contend with what feels like constant change, employee well-being remains top of mind. Yet while executives largely claim to understand what's ailing the employee experience, doubt remains.

The study asked executives whether they understand what's driving burnout in their organization. Fifteen percent either disagreed or were neutral on the subject.



Takeaway

If organizations can't pinpoint the cause of employee burnout, solving it becomes near impossible. Engagement should *always* be a priority, but in a candidate's job market—one where there are **three jobs for every two people**—it's mission-critical.

CONCLUSION

It’s a common phrase in talent optimization circles: “An organization’s most valuable asset is its people.” Unfortunately, valuable doesn’t always equate to being *valued*.

It’s unclear how long The Great Resignation will last. That all depends on how quickly employers can adapt to the evolving needs of their people. Employees are quitting at record rates in search of *freedom and opportunity*. Meanwhile, executives are promising to help them find *purpose* right where they are. **Can executives give their people a reason to stay?**

They can—if they approach their people with intention. 2022 is an opportunity to *be agile*. Pay attention to your people. Don’t assume their commitment is forever. Reaffirm the value they bring to the organization, and help them carve out a future they can take pride in.

PI’s talent optimization platform gives you the tools to address any employee’s needs—and help that person thrive. Use behavioral data to highlight their natural strengths, and show them where they can “stretch” to grow as a leader. Develop a coaching plan unique to their abilities, so you can fast-track their development and ensure a sustainable career path within your organization.

Employees have said their piece. Now’s your opportunity to act. Use talent optimization to stop turnover in its tracks, so you can start focusing on what’s ahead for your organization.

Ready to put these learnings to action? Get certified in **talent optimization**, and gain a north star to help you navigate 2022’s toughest challenges.

GET STARTED

STUDY METHODOLOGY

This report was developed with scientific rigor.

Good surveys begin with identifying the population of interest. Because we wanted to explore the practices of people who directly set and influence business and talent strategies, we partnered with an organization that specializes in surveying executive audiences. The research sample was restricted to executives at the vice president level or above at companies with at least 25 employees that are based in the United States. We collected complete responses from 326 executives. We examined the data for careless responding and completion rates and were able to retain all 326 cases. The survey took 12 minutes on average to complete.

We developed the survey questions according to best practices in survey research, ensuring questions were clear, concise, and understandable by people with a variety of backgrounds. Questions had response formats designed to balance the richness of data to be collected with the ease of responding. The content of the questions was selected based on a set of research questions identified by subject matter experts as being relevant to emerging trends in talent optimization practices, as well as the current state of work in the U.S. The objective was to encourage participant engagement and gather high-quality responses while collecting in-depth information about talent optimization practices.

All analyses were conducted using Microsoft Excel. Frequencies were calculated for each item with the entire sample. Further, the sample was grouped based on several characteristics including:

- Industry
- Remote work practices (i.e., on-site due to preference, on-site due to nature of the business, remote, or hybrid)
- Whether or not the executive respondent had quit within the past 12 months
- Whether or not the employee turnover rate reported by the respondent was lower than the sample average
- Whether or not the business invests in employees by helping them find purpose
- Whether or not the business invests in employees by prioritizing health care benefits
- Whether or not the business values and prioritizes inclusion

The data were coded based on group membership for each of these variables. Frequencies were then produced for each item within each group, permitting us to visually compare groups of interest. To account for the varying sizes of these frequencies, we also calculated percentage changes, using the standard mathematical formula for relative change. Finally, we gathered findings from previous State of Talent Optimization reports, which allowed us to conduct year-over-year comparisons.

TIPSHEET

10 searing stats on The Big Quit:

1. **1 in 5** workers quit in the last 6 months.
2. The **No. 1 driver of attrition** is *inflexibility*.
3. **75%** of execs say The Great Resignation impacted their financial stability.
4. **82%** of companies needed help with talent acquisition and retention over the past 12 months.
5. Only **1 in 2** companies have a business strategy. Even fewer companies (**38%**) have a talent strategy.
6. **Nearly 1 in 4** execs feel ill-prepared to lead through The Great Resignation.
7. The **No. 1 reason executives quit** is *inflexibility*.
8. The **No. 1 reason executives stay** is *job fit*.
9. **Executives' No. 1 talent priority** is *helping employees find purpose*.
10. The **No. 1 driver of retention** is *benefits*.

5 turnover terminators:

1. Companies with the *right* people in the *right* roles have **42% lower turnover**.
2. Remote-friendly companies are experiencing **33% lower turnover**.
3. Companies that prioritize health care benefits experience **27% lower turnover**.
4. Inclusive companies are experiencing **19% lower turnover**.
5. Talent optimized companies are **nearly twice more likely** to avoid the brunt of The Great Resignation than their peers.