BlackRock

After the great resignation:

Shifting expectations for employers

Long-term capitalism at BlackRock

October 2022

After the great resignation: Key takeaways

The ‘great resignation’ has seen workers voluntarily leave their jobs at historically high rates, notably in the US (at an annual rate north of 30%). With the pandemic having largely abated and employees returning to the office, we look at the nature of employee turnover and its impact on corporate performance. Employers are facing questions around how and how much employee expectations are shifting, how they can respond and whether meeting their employees’ expectations – or failing to do so – will have a material impact on corporate performance. At the same time, there are questions as to whether the still-high resignations trend represents a structural change – or whether it principally reflects a tight labor market that could be derailed by a recession. This might in turn suggest that employers do not need to significantly change their relationships with these key stakeholders.

Our key conclusions

1. Employees have been resigning at higher rates over recent years and more so since the start of the pandemic. Voluntary departures are close to or at historical highs in the US and UK, while job openings have only started to moderate. Job vacancies remain at historical highs in the Eurozone.

2. Today’s tight labor market expands choice and increases employees’ bargaining power. However, **we notice several new patterns in the labor market, including a growing pool of employees more prone to quitting than in the past, as seen in a higher rate of resignations among mid-career and longer-tenured employees.** This is in addition to the already high voluntary departures of younger and less experienced employees.

3. **The pandemic’s disproportionate impact on women has somewhat reversed**. Women left the labor force at higher rates than men during the initial phases of the pandemic, but have since returned at a faster pace. There is, however, a widening gender gap in the US; women who are working are now voluntarily leaving their jobs (not the workforce) at notably higher rates than men. There is some early evidence to suggest that women may be shifting to lower-paying jobs, perhaps reflecting a willingness to trade off higher compensation for more flexibility or a need to accommodate greater family obligations.

4. Our analysis of employee review websites, surveys and academic research suggests that **the pandemic seems to have triggered a structural shift in employees’ expectations for the workplace**. While transactional factors, such as compensation, continue to matter, employees are increasingly prioritizing relational factors of their jobs, including well-being and work-life balance, career development and corporate culture. Opportunities for gig and remote work are also reinforcing choice and flexibility outside of a traditional workplace structure or schedule.

5. Is this material for the companies’ bottom line? **We find that companies with low employee turnover outperformed companies with high employee turnover in return on assets and revenue per employee between 2012 and 2021**.

6. Recognizing the impact of turnover on performance, companies have started to respond with different strategies to better align their policies and workplaces with employees’ changing expectations. We discuss some of the changes in employers’ practices given our expectation that issues around employee satisfaction and retention may become more important in investment decisions.

Does employee turnover materially affect corporate performance?

Key takeaway

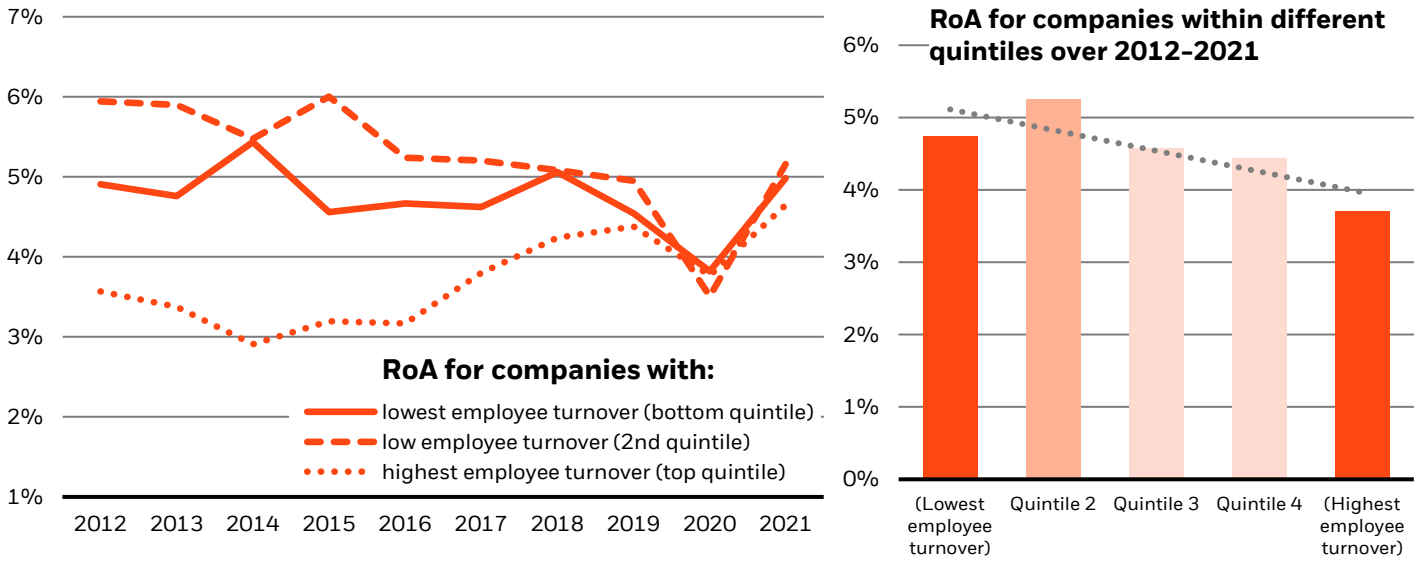
We find that companies with low employee turnover outperform companies with high employee turnover on different metrics, including return on assets (RoA) and revenue per employee.

Some level of employee turnover is probably beneficial, to avoid stagnation and bring in fresh perspectives and skills. But turnover is also expensive – and not just in dollar terms. Beyond the obvious costs of severance payments, potential legal costs, time and resources dedicated to recruiting and lost revenue, turnover may also be expensive in the sense of lost institutional knowledge, productivity and know-how, training costs or the potential morale impact on remaining colleagues. While estimates of the cost of replacing an individual employee vary by region, sector and position, they generally point to roughly 30% of an employee's annual salary for entry-level, non-skilled workers, rising to as much as 150% for technical professionals or those in supervisory positions.[1]

Our own analysis shows that over time, companies with lower employee turnover outperform companies with higher employee turnover. Our sample spans the last decade (2012-2021) and covers ~40% of companies within the MSCI World Index, due to data availability constraints. We sourced the employee turnover measure from Refinitiv, which includes employees who left a company for any reason. We divided companies within each sector into quintiles, from the lowest to the highest level of employee turnover. We then compared the companies within different quintiles on future performance measures (one year ahead of employee turnover), including return on assets (RoA) and revenue per employee.

Overall, we find that the companies with lower employer turnover outperform companies with higher employee turnover; in particular, the bottom quintile consistently outperforms the top quintile. With respect to RoA, the outperformance is particularly apparent when we focus on the second lowest quintile (i.e. with low but not the lowest employee turnover), which is intuitive as some level of employee turnover is desirable to bring in different perspectives and boost performance, see Exhibit 1.

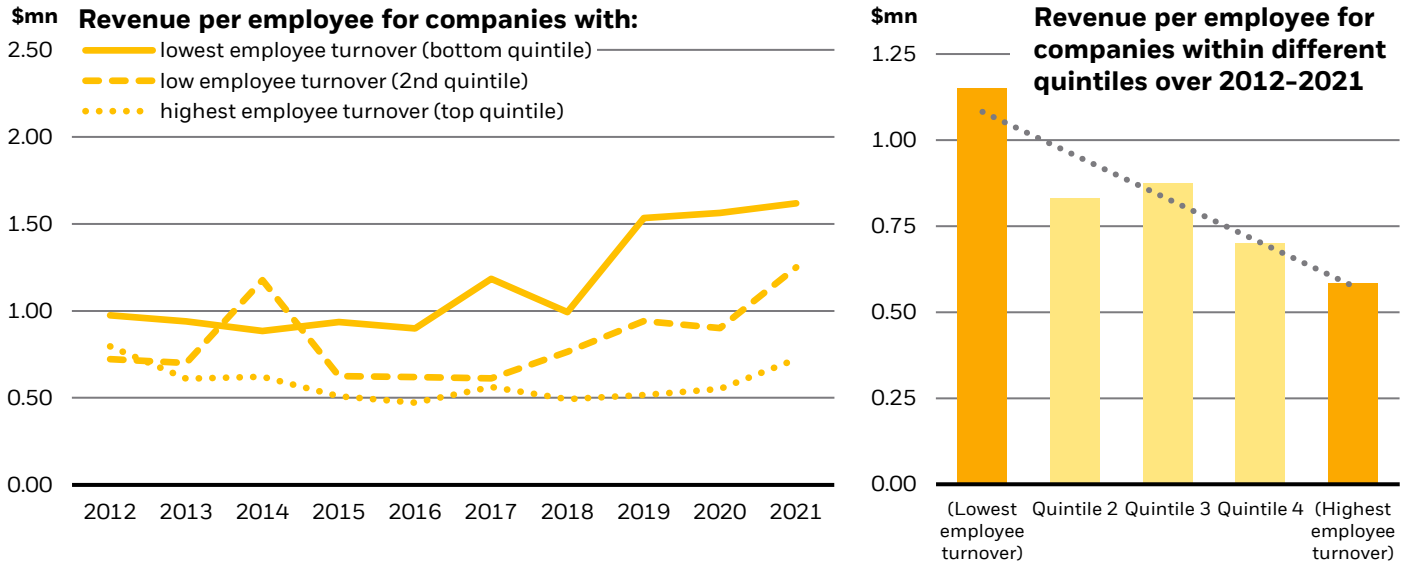
Exhibit 1: Higher performance for companies with lower rates of employee turnover within the MSCI World Index



Source: S&P Capital IQ, Refinitiv, MSCI and BlackRock's calculations

This chart shows average return on assets (RoA) for the current year (t) for companies within the MSCI World Index split into quintiles by employee turnover over the previous 3 years (t-3 to t-1), within each GICS sector, as of December 2021. The right panel shows 2012-2021 averages of annual values. Past performance is not indicative of future results.

Exhibit 2: Higher revenue per employee for companies with lower rates of employee turnover within the MSCI World Index



Source: S&P Capital IQ, Refinitiv, MSCI and BlackRock's calculations
This chart shows average revenue per employee for the current year (t) for companies within the MSCI World Index split into quintiles by employee turnover over the previous 3 years (t-3 to t-1), within each GICS sector, as of December 2021. The right panel shows 2012-2021 averages of annual values. Past performance is not indicative of future results.

Regarding revenue per employee, the outperformance is the highest for the companies with the lowest employee turnover (bottom quintile), see Exhibit 2.

Our conclusions broadly hold across time and across sectors. That said, the outperformance of companies with lower employee turnover was less stark during the first year of the pandemic on the return on assets measure, potentially on the back of stock-market turbulence and pandemic-related dislocations. However, we are starting to see a reversal towards a long-term trend of outperformance for companies with lower employee turnover.

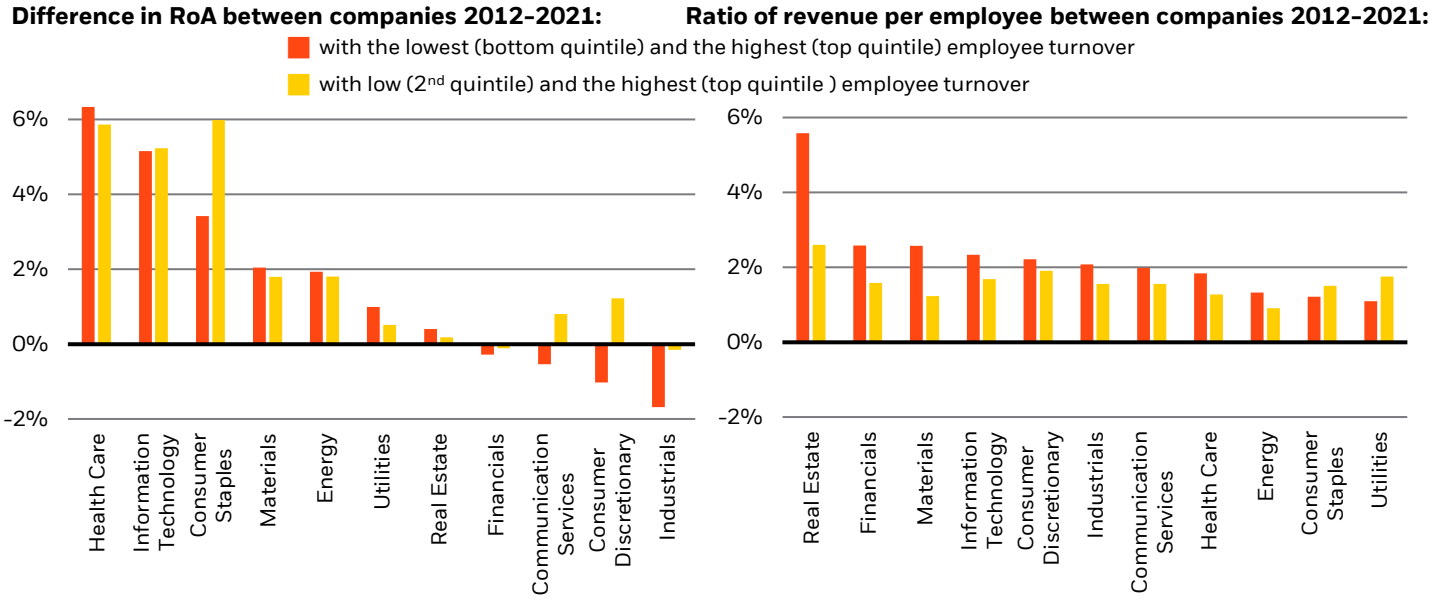
The average level of employee turnover varies quite substantially across sectors, with Real Estate, Consumer Discretionary and Communication Services having the highest level of employee turnover (17% on average), and Materials, Energy and Utilities showing the lowest level of turnover (9% on average).

This is most likely related to variation in the institutional knowledge required in each of the sectors to run profitably. To account for those sector-specific differences, we performed the analysis within each of the sectors separately.

As shown in Exhibit 3, the results remain fairly robust when we zoom into individual sectors. Companies with lower employee turnover tend to outperform the companies with the highest employee turnover. The only caveat is that within Financials and Industrials the opposite result is true when comparing RoA of the bottom and top quintiles, and nearly flat for the same comparison at the second lowest quintile. Also, within Consumer Discretionary and Communication Services sectors, it is the second lowest quintile (i.e. with low but not the lowest employee turnover), that outperforms on the RoA measure, consistent with our overall return on assets analysis. This suggests that a slightly higher level of turnover can be beneficial for driving profitability in the industries that tend to have lower needs for institutional know-how.

We performed this analysis using more granular and regional groupings, as well as using alternative measures of employee turnover, and found similar results.

Exhibit 3: For most sectors, companies with lower employee turnover tend to outperform within the MSCI World Index



Source: S&P Capital IQ, Refinitiv, MSCI and BlackRock's calculations
This chart shows the 2012-2021 average differences in return on assets (RoA) and the 2012-2021 average ratio of revenue per employee between companies in bottom, 2nd, and top quintile, for the current year (t), for companies within the MSCI World Index split into quintiles by employee turnover over the previous 3 years (t-3 to t-1), within each GICS sector, as of December 2021. Past performance is not indicative of future results.

Research using a different data source (Revelio, which draws on publicly available career profiles) to define employee turnover rate, also shows that their employee turnover indicator is material for predicting future financial performance, controlling for various firm's characteristics.[2] This work finds that employee turnover is negatively associated with future financial performance (one-quarter ahead ROA and sales growth).

The same research finds a significant association between employee turnover and future stock returns, suggesting that investors do not fully incorporate turnover information. Similar to our own analysis, they also find that the association between employee turnover and future financial performance is non-negative when employee turnover is very low, suggesting that some level of employee turnover is desirable for performance.

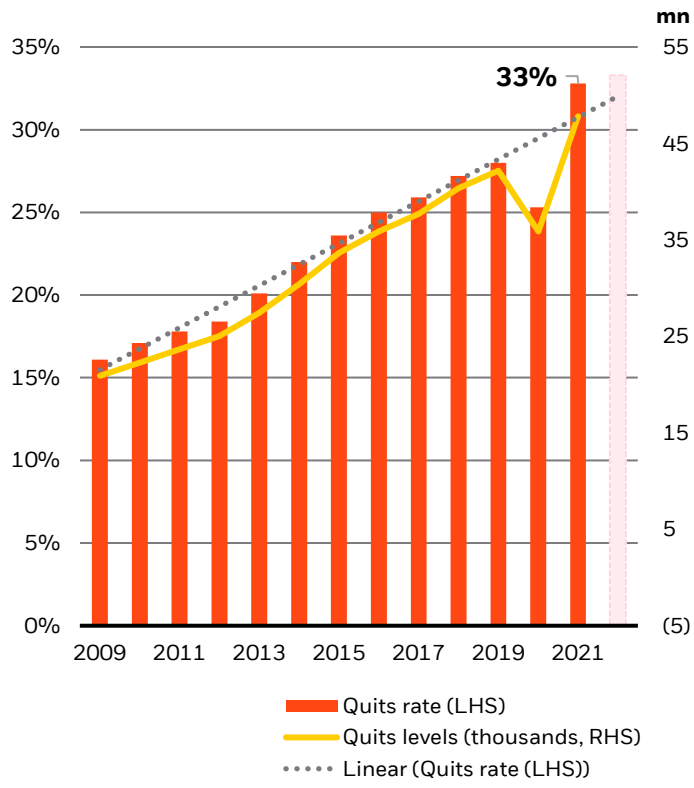
The macro story

Key takeaway

The high rate of voluntary job departures is taking place amid a longer-term trend of a tight labor market, which increases employees' bargaining power.

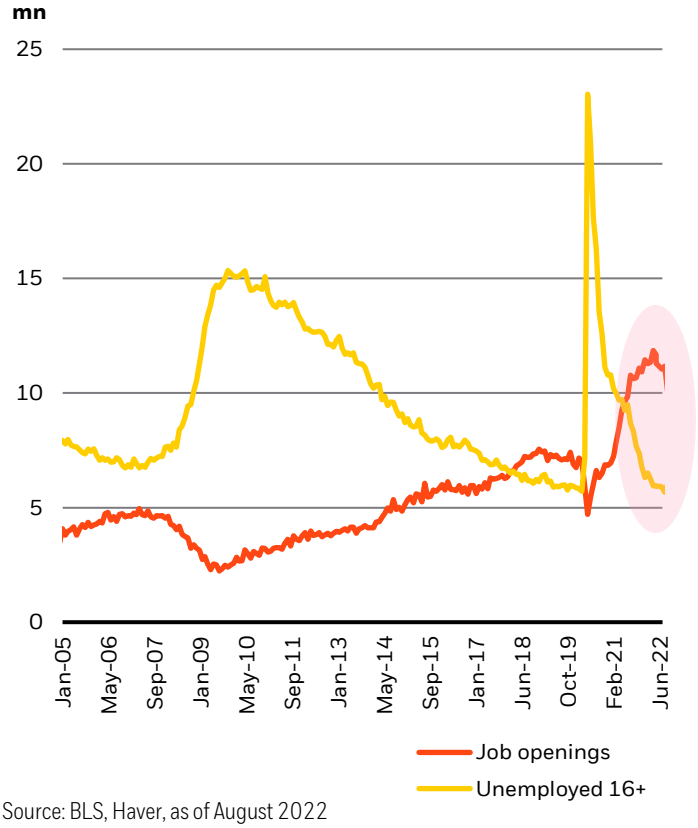
Record-high rate of departures. Nearly 50 million American workers voluntarily left their jobs in 2021, when the annual 'quits rate' (calculated by the Bureau of Labor Statistics as the number of employees who voluntarily left their jobs as a share of total employment for the period) jumped to 32.8%, up from 28% in 2019 – a record high since the start of the series in 2000. Although we have started seeing a decline in this trend in recent months, it was largely upheld throughout 2022, with the quits rate in the first eight months of the year almost 7% above the same period in 2021 and 20% above the pre-covid levels seen in the first eight months of 2019. While this is at least partially a 'catch-up' after the hunkering down in the early part of the pandemic, the higher quits rate is not entirely new and in fact is a continuation of a trend seen since 2009 (see Exhibit 4). The number of job openings continues to significantly exceed the number of people looking for jobs in the US (see Exhibit 5), despite a recent decline, with this tight labor market making it easier for employees to leave and harder for employers to fill the openings.

Exhibit 4: Record high quits in the US continue an ongoing trend from 2009



Source: BLS, Haver and BLK calculations, as of August 2022. The 2022 quits rate is a projection, where the August quits rate is kept unchanged into the year end.

Exhibit 5: Volume of job openings exceeds the number of jobseekers in the US



Source: BLS, Haver, as of August 2022

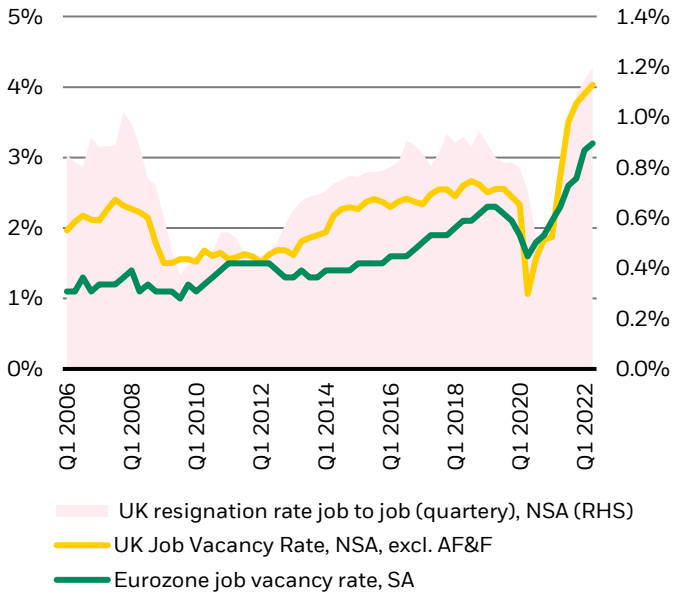
This is not only a US story. Resignation[3] and job vacancy rates are at or close to historical highs in the UK (Exhibit 6). As of June this year there was a clear upward trend in the 'job-to-job' resignations reported by the UK Office for National Statistics (ONS), which looks at employees resigning from one job to take another job. In the Eurozone, the historically high job vacancy rate[4] (see Exhibit 6) and increasing rate of job leavers[5] (which includes employees who left their job either voluntarily or non-voluntarily) support the view that a resignation movement is taking place there as well. That said, anecdotal evidence suggests that the resignation phenomenon is less pronounced than in the US or the UK, likely reflecting the less flexible labor market in continental Europe.

In addition, with people leaving the labor force entirely, particularly older workers, the labor supply has become an increasing constraint in the US and the UK (see Insight 1).

Will a recession change this? Voluntary departures and job openings in the US have started to decline in recent months alongside rising concerns of a global economic slowdown, but their levels remain close to historical highs (Exhibit 5). In the UK, the resignation rate is at historical highs, while the vacancy rate has only started to decline. Meanwhile, the vacancy rate remains historically high in the Eurozone, per the latest available data (Exhibit 6).

This leads to the question: as the economy slows down and the labor market becomes less tight as financial conditions deteriorate, is the resignation theme likely to fade, or is there anything to suggest that the recent dynamic is driven by more structural shifts?

Exhibit 6: Vacancy rates are high across Europe, while the resignation rate continues to trend upward in the UK



Source: BLS, ONS, Eurostat: AF&F stands for agriculture, fishing and forestry, as of June 2022

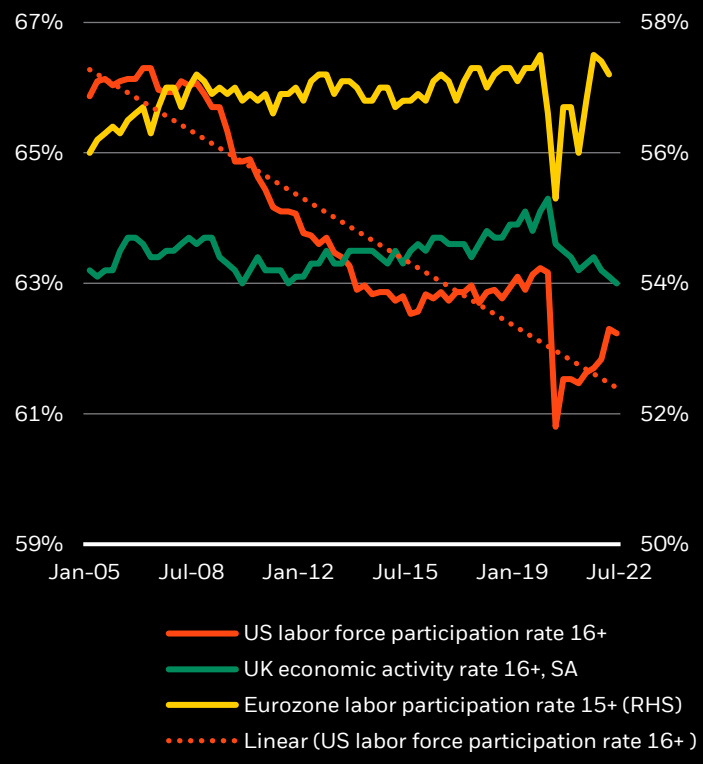
INSIGHT 1

Labor supply constraints

Labor supply is a constraint in the US and UK, but not in the Eurozone. In the US, the overall labor force participation rate is still 100bps below pre-pandemic levels, despite recovering 220bps from the worst of the pandemic. The remaining gap is almost entirely driven by older workers (aged 55 and older) who left the labor force in large numbers during the pandemic (Exhibit 8). Although they have not necessarily retired, there is little data evidence on what motivated the older population to exit. Overall, the labor force participation rate is returning to a long-term **downward** trend (Exhibit 7), with labor force not keeping up with population growth.

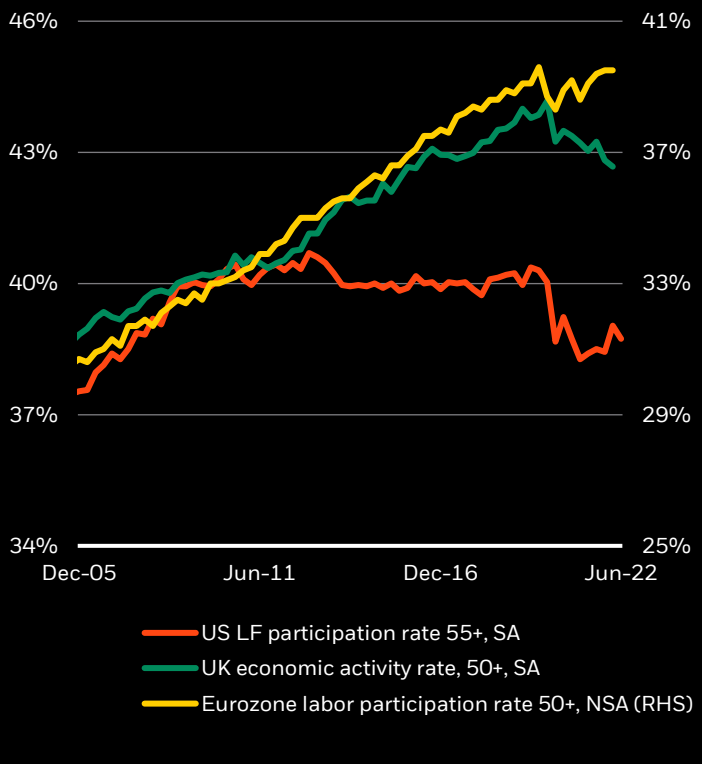
In the UK, the labor supply constraint is a post-covid phenomenon and more so among the older population (Exhibits 7 and 8), as the percentage of inactive population substantially increased, primarily due to sickness, education and caregiving needs. In contrast, participation rates are now back to pre-covid levels in the Eurozone across age groups. It seems likely that the job retention schemes and recent pension and labor market reforms contained the labor force exits for permanent workers in the Eurozone, while the initial labor force departures, which were largely among temporary workers, reversed, as the economy and living conditions normalized.

Exhibit 7: Labor force participation rate trends downward in the US and post-covid in the UK, while it has been on the rise in the Eurozone



Source: Haver, BLS, ONS, Eurostat, as of June 2022 for US and UK and March 2022 for Eurozone

Exhibit 8: Older workers left the labor force during the pandemic and have not yet returned in the US and UK



Source: Haver, BLS, ONS, Eurostat, BLK calculations, as of June 2022 for US and March 2022 for UK and Eurozone

Who is driving the great resignation?

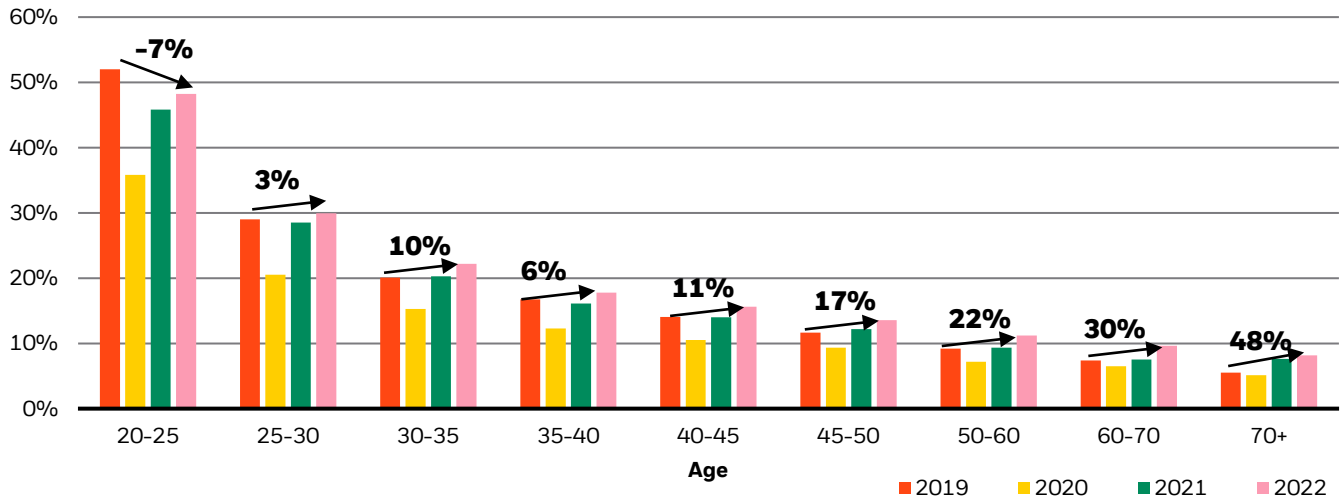
Key takeaway

Several new patterns are potentially creating a lasting change in the labor market. These include higher resignation rates among middle-aged and older workers and longer-tenured employees, in addition to the very junior and new employees who have traditionally led resignations. As a result, a broader pool of employees at the firm level is now more prone to leaving.

It is not just young workers who are leaving. While employees in the 20-30 age bracket have historically comprised a large proportion of voluntary leavers and continue to do so, they have not been the key driver of the great resignation, contrary to expectations. In fact, their resignation rates are actually **below** their pre-covid levels.

According to Visier, a provider of human capital data, resignation rates have been higher for all other age groups. Like the BLS, Visier defines resignations as voluntary departures of employees who are not retiring. As of June 2022, resignation rates for employees aged 30-50 in the US were between 6% and 17% above 2019 levels, despite a slowdown in the second quarter from peak levels earlier this year.[6] This may reflect the pandemic-era dynamic of acute family-care demands: the gender gap in resignations has risen considerably (as we discuss below and show in Exhibit 9). It might also be due to companies' greater demand for mid-career workers compared to entry levels, as training and development became harder to provide in an environment of hybrid or remote work.[7] Resignation rates for older workers are even higher, at 30% or more for employees above age 60, consistent with official data showing larger departures from the labor force for these age groups.

Exhibit 9: Rising resignation rates for mid-career and older employees in the US



Source: Visier and BLK calculations, resignation rates for H1 annualized, as of June 2022. Exemption: Resignation rate for 70+ in 2022 is for q1, annualized. The 70+ data is as of March 2022.

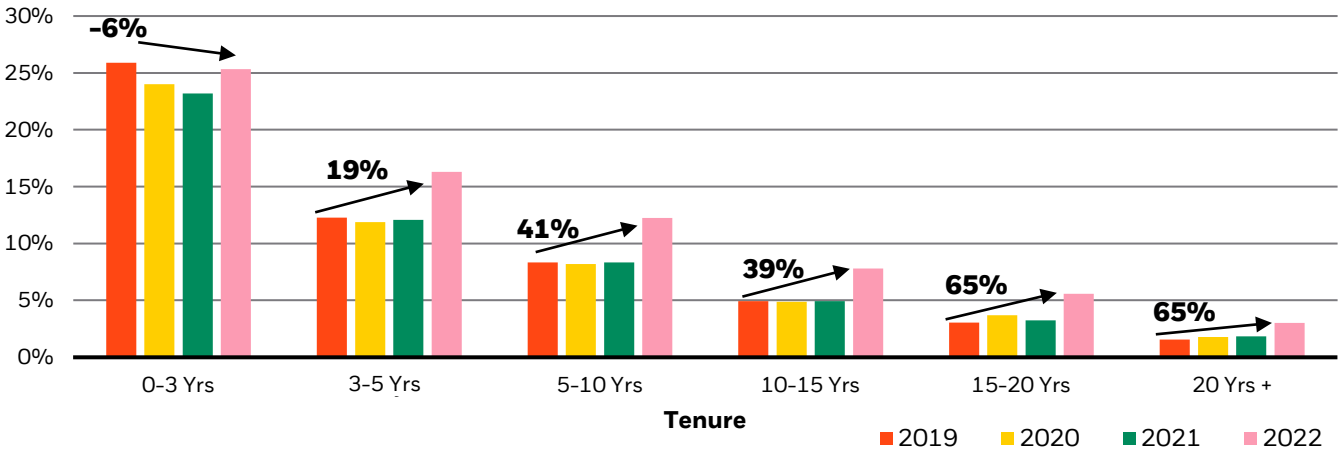
Also new is the fact that resignation rates are starting to increase for companies' longest-tenured employees. As in the past, the shortest-tenured employees continue to have the highest resignation rates. However, we are now seeing increasing resignation rates for people who have been with employers for many years, including more than two decades. Between 2019 and 2022, resignation rates increased more than 60% among workers who had been with a company for more than 15 years and rose by roughly 40% for employees with 5-15 years at the same company, emphasizing the point that the increase in resignations is not just about young people looking for a new challenge or higher pay. Even long-tenured employees have been leaving in larger numbers (Exhibit 10).

The gender gap in resignations has risen, even as women have returned to the workforce overall. There has been considerable anecdotal and data evidence around women leaving the labor force at a higher rate than men during the early stages of the pandemic, often due to expanded child-care obligations. However, women have recently re-entered the labor force at a faster pace than men, making this dynamic less relevant to today's great resignation story at the macro level.

Separately, a significant gender gap has opened up in resignation rates among women who are in the labor force. Just before the pandemic, resignation rates were similar for both genders; since late 2019 the gap has grown from just 0.4% to 3.5% in June 2022, on a quarterly annualized basis (Exhibit 11). This suggests that pandemic-related demands on women may still be driving their decisions about which jobs to take. According to a February 2022 survey by McKinsey, parents returning to the workplace can still struggle to find childcare services that are high-quality, affordable, reliable, accessible and convenient, and 45% of mothers with children aged five and under who left the workplace during the pandemic cited childcare as a primary reason for their departure.[8] A Pew Research Center study similarly found that nearly one-quarter of employees with children under 18 at home cited childcare as a major reason for leaving their positions.[9]

We also investigated whether women are returning to the workforce but coming back into lower-paying jobs, possibly in an attempt to accommodate increasing family demands.

Exhibit 10: Sharp increases in resignation rates among longer-tenured employees in the US

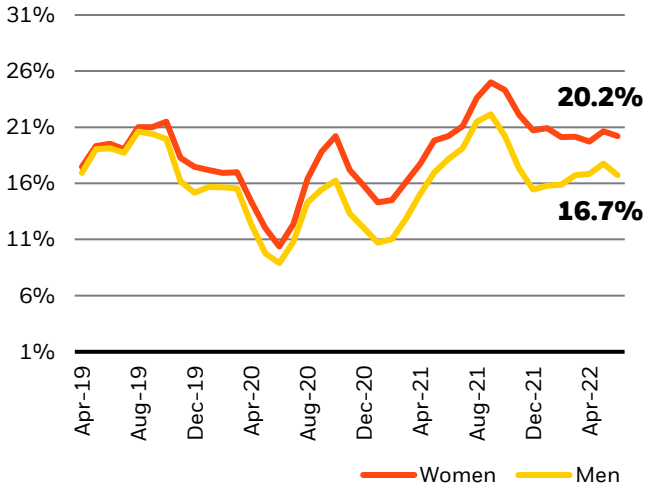


Source: Visier and BLK calculations, resignation rates for H1 annualized, as of June 2022. Exemption: Resignation rate for 20+ yrs in 2022 is for q1, annualized. The 20Yrs+ data is as of March 2022.

The BLS population-wide pay data does not indicate that the average pay gap between men and women has widened since the pandemic. However, our analysis of the pay levels of newly hired workers[10] (who may or may not have switched from other jobs) shows that the long-term trend of female wages catching up to men by 60bps a year, on average, since 2000, has reversed since the first year of the pandemic – wiping out two years of progress. We will need to wait for further data to determine whether this is a temporary reversal or something more lasting. Recent research indicates that **employees value the option to work from home 2–3 days per week at 5 percent of pay, on average,** with higher valuations for women, employees with children and those with longer commutes.[11]

We also see anecdotal evidence of 'boomeranging,' in which employees who have left a job return to the same company in a short period of time. They may be returning for higher compensation, but there is little data that would allow us to understand who is returning and under what circumstances.

Exhibit 11: Gender gap in resignation rates widens significantly in the US



Source: Visier and BLK calculations, 3 month sum annualized, as of June 2022

INSIGHT 2

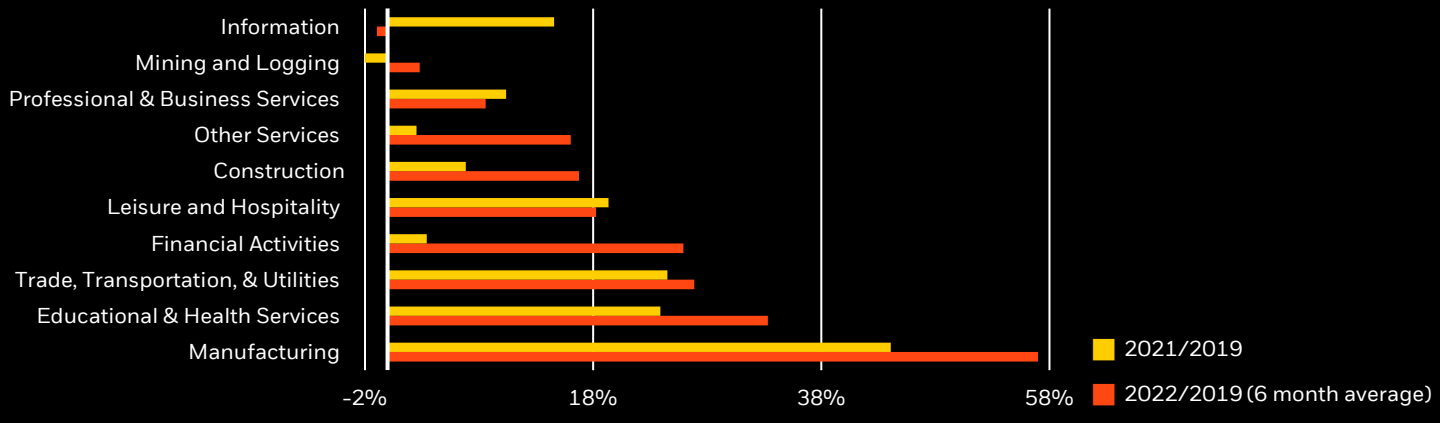
Sectoral analysis shows mixed results

In the US, sectoral dynamics are mixed but have been largely consistent over the last two years. The quits rates have been the highest in manufacturing and lower-paid sectors, such as trade, transportation and utilities. Quits rates in health and education and across lower-paid services, such as leisure and hospitality and other services, have all increased. While income support, such as economic stimulus payments and extended unemployment benefits, likely affected lower-paid sectors in 2021, it is interesting that the resignation rates have remained high in all these sectors in 2022, even after these programs expired in late 2021.

Among higher-paid sectors, quits rates in technology rose in 2021 but declined year on year in the first half of 2022. The financial services sector saw the opposite pattern, with low quits rates in 2021 but increases in 2022.

Using a different breakdown of industry groups, a McKinsey survey points to attrition being the most pronounced in the consumer, retail, healthcare and education sectors, which have been under significant social and economic pressures during the pandemic.[12]

Exhibit 12: Change in quits rates across industries in the US



Source: BLS, Jolts, Haver and BLK calculations. Annual quits rate for 2021/2019, half year averages for 2022/2019, as of June 2022

Why are people leaving their jobs?

Key takeaways

We noticed several new patterns, based on our analysis of employee review websites, employee surveys, academic research and conversations with specialists in human capital analytics.

- **The pandemic seems to have triggered a structural shift in employees' expectations for the workplace.** The pandemic not only made it harder for many workers to manage the competing requirements of family and work, but also drove a collective reassessment of life, family and health. At the same time, some employers have introduced new or expanded benefits, resetting employee expectations to a 'new normal,' which not all companies have matched.
- **Remote and flexible work arrangements**, well-tested during the pandemic, are giving employees more choice and creating competitive pressures for companies that prefer to revert to pre-pandemic working hours, locations and styles.
- While transactional factors, such as compensation continue to matter, **employees seem increasingly to prioritize relational, or so-called human factors** of their jobs, including well-being and work-life balance, career development opportunities and corporate culture.

How employees feel about work: our analysis of employee review websites

We analyzed employee review websites using natural language processing to associate words with particular themes. Depending on whether the review was expressed as a 'pro' or 'con' for the company, we qualified the sentiment around it. We analyzed reviews for two groups of companies within the MSCI World Index – companies with the highest employee turnover (top 20%) and companies with the lowest employee turnover (bottom 20%) over 2012-2021, with commentary around sentiment particularly focused on 2019-2022. We find that:

1. **Senior management is a notable driver of negative sentiment** for both groups of companies and interestingly more so for the companies with the lowest employee turnover. In fact, while sentiment among the lowest-turnover companies has improved for all other categories post-covid (e.g., total compensation and benefits, work-life balance, career opportunities), the negativity around management has increased.

2. The sentiment **around work-life balance has deteriorated** for the companies in the highest turnover group, while it has improved for companies in the lowest turnover group. This is consistent with anecdotal and survey evidence that employees increasingly tend to leave jobs that are negatively affecting their work-life balance.

3. While the negative sentiment around **career opportunities** has declined for both groups of companies, **it has improved much less for companies in the highest turnover group**. This is aligned with survey evidence that career has increased in importance as a driver of resignation decisions.

4. Employees have traditionally focused their commentary more on **culture and values** than on other factors such as **management, total compensation and benefits, work-life balance or career opportunities**, suggesting the high importance of this category. This is still the case. In addition, employees' sentiment around culture and values has improved for both groups of companies, but more so for companies with the lowest employee turnover.

5. **Compensation and benefits** remain important to employees, but sentiment around this category has become less negative, particularly for companies with the highest employee turnover. This echoes the survey evidence that employees are less driven by transactional factors when making resignation decisions.

Methodology: We classify companies into top and bottom 20% by employee turnover within the MSCI World Index. This is calculated as a 3y moving average (t-3 to t-1) that we use throughout this paper. The employee reviews cover~50-60% of companies within the MSCI World Index and are likely skewed towards US companies.

Source: Vertical Knowledge, MSCI

Prioritizing well-being and family. The pandemic prompted many workers to reprioritize their individual and family well-being. Family caretaking responsibilities were cited by 45% of McKinsey survey participants as an influential factor in their decision to leave their jobs, as well as among a similar proportion of those contemplating resigning.[8]

In parallel, personal well-being has risen in importance among employees, with 70% of them believing that employee mental health, stress and burnout will affect the workplace in the future, based on the MetLife 19th study of the US employee benefits trends.[14] According to another survey, as many as 30% of workers contemplating a job exit within the next 12 months report feeling burnt out as a key contributing factor for their planned resignations,[15] while as many as 40% who changed their jobs within a year prior to responding to a Visier survey, reported seeking better work/life balance or mental health situation.[16] This demand for additional flexibility may lie behind the increase in the share of jobs that offer remote work, which has nearly doubled between April 2021 and 2022, according to LinkedIn's analysis.[17] Flexibility might also be one of the attractions of sole proprietorships, the number of which rose 20% in 2020 in the US.[18]

Despite anecdotal and survey evidence that relocation is increasing in importance as a reason for leaving jobs,[19] the US Census data does not show an increase in aggregate mobility rate in 2020/2021, although this data does not elaborate on the reasons for mobility decisions.[20]

Career development opportunities. A lack of career development and advancement potential, which has traditionally ranked highly as a driver of employee satisfaction and resignations, has become even more important. While some workers are looking for opportunities to train and advance in their current company, many have more recently made significant career switches. Respondents to a 2021 Visier survey reported a desire to learn new skills as a top reason for leaving (32%), followed by a desire for better and more frequent training opportunities (26%).[21] Similarly, career development has increasingly topped reasons for employee resignations in the Work Institute's retention reports since 2000. However, their most recent analysis suggests that rather than moving to similar jobs, leavers are increasingly undertaking major career changes,[22] consistent with respondents who reported a desire to change career direction (17%) in Visier's survey. A Pew Research Center survey of US workers in February 2022 found that opportunities for advancement ranked second among reasons behind decisions to quit, following low pay.[23]

Corporate culture. Respondents to a survey conducted by McKinsey among employees in five countries (Australia, Canada, Singapore, the US and the UK) identified three top reasons for leaving a job, including (1) not feeling valued by their organizations, (2) being undervalued by managers and (3) lacking a sense of belonging at work.[24] These factors highlight the rising importance of relational, human interactions that shape workplace cultures and that have increasingly driven employees to reevaluate their employment. A recent research article published in the MIT Sloan Management Review argues that the presence of a 'toxic corporate culture' has been 10 times more important than pay in predicting turnover, making it the strongest predictor of industry-adjusted attrition.[25] Illustrations of 'toxic corporate culture' include unethical behavior, failure to promote diversity, equity and inclusion, and conduct that does not appear to demonstrate respect for other workers. Feelings of 'disrespect' at work ranked third among reasons for quitting in the Pew Research Center survey of the US employees mentioned above. Finally, research quoted in Harvard Business Review, revealed that people of color, and particularly women of color, were more likely to work remotely post-pandemic, since working in remote settings could provide some relief from navigating potentially biased workplace cultures.[26]

Retirement. BLS data on resignation does not include retirement, which takes people out of the labor force (which is defined as working or actively looking for work). While retirement might seem to be a sensible approach to job losses among older workers during the pandemic, data suggest that it has not in fact increased significantly. We do not see notable deviations from the historical numbers in the official retirement insurance application data.[27] The Center for Retirement Research at Boston University calculates that the retirement rate, which was 12% before the pandemic, rose to just 13% after the pandemic.[28] And applications for disability payments, which can serve as a bridge to formal retirement and social security, actually declined in 2020 and 2021.[29]

How are companies responding to higher turnover?

Key takeaway

Structural shifts in employees' expectations for their workplaces may require a structural response from employers. Accordingly, companies are innovating to find effective responses.

We see anecdotal evidence of several important changes, including a revamp of existing benefits structures, an increase in baseline work flexibility and a higher frequency of employee surveys, which comes with the expectation that employers will respond to the concerns they flag.

Some early findings suggest several areas of increasing corporate focus:

- **Supporting work-life integration and aligning benefits with employee priorities,** including expanding childcare and other home- and family-focused benefits. Mental health is an increasing concern. Research by MetLife shows that prior to the pandemic, 60% of Americans believed that their mental health could be managed without employer assistance; this figure had reversed by June 2021, with 62% of Americans believing that employers do have a responsibility for their mental well-being.[30]
- **Using a tailored approach to accommodate greater work flexibility**. 'Negotiated flexibility' points to policies recognizing that different groups of employees require different strategies, like flexibility in job shifts to meet caregiving needs.[31] In practice, many companies have introduced hybrid working models with varying degrees of flexibility as to the number of days in the office. That said, it is important to point out that some jobs can't be done remotely, even while others within the same company can. In cases where remote working is not possible, more predictable and regular schedules, with greater advance notice, can be responsive to employee needs.
- **Recognizing potential pitfalls of greater flexibility**. A shift to more flexible working does carry risks for employers. Will employees who spend more time working from home fall behind as they become 'out of sight, out of mind'?

How will companies ensure that greater flexibility does not hurt specific demographic groups? This is a particular concern for women, who are generally seen as more likely to opt to work at home. How can companies train new employees and maintain corporate culture in a fragmented environment? Answers to these questions will unfold over time.

- **Addressing career development needs**. Over recent years, employees have highlighted the need for companies to do more on prioritizing clear career trajectories, continued recognition, and training.[32,33] Enhancements can include more mentoring, coaching, stretch assignments, a review of promotion processes and greater lateral and international career opportunities. Outside of the office, companies can offer broader educational benefits as a long-term investment in employees' future.
- **Setting up effective engagement channels.** More employers are establishing new or better communication channels – such as independent surveys and frequent check-ins to better connect with their employees to identify their needs. Growth in the market size of people analytics technology suggests that employers are responding: revenues in the sector have doubled from 2019 and more than 40% of that market is the employee engagement/experience/voice category.[34]
- **Enabling peer recognition**. Some employers have built global peer-to-peer recognition platforms that encourage more real-time recognition of employees, separate from the traditional top-down feedback systems often used in annual reviews. In-depth analyses of the impact of these recognition platforms reveal higher retention rates for employees who receive multiple recognition instances and a year-on-year increase in performance ratings, especially among new talent.[35]

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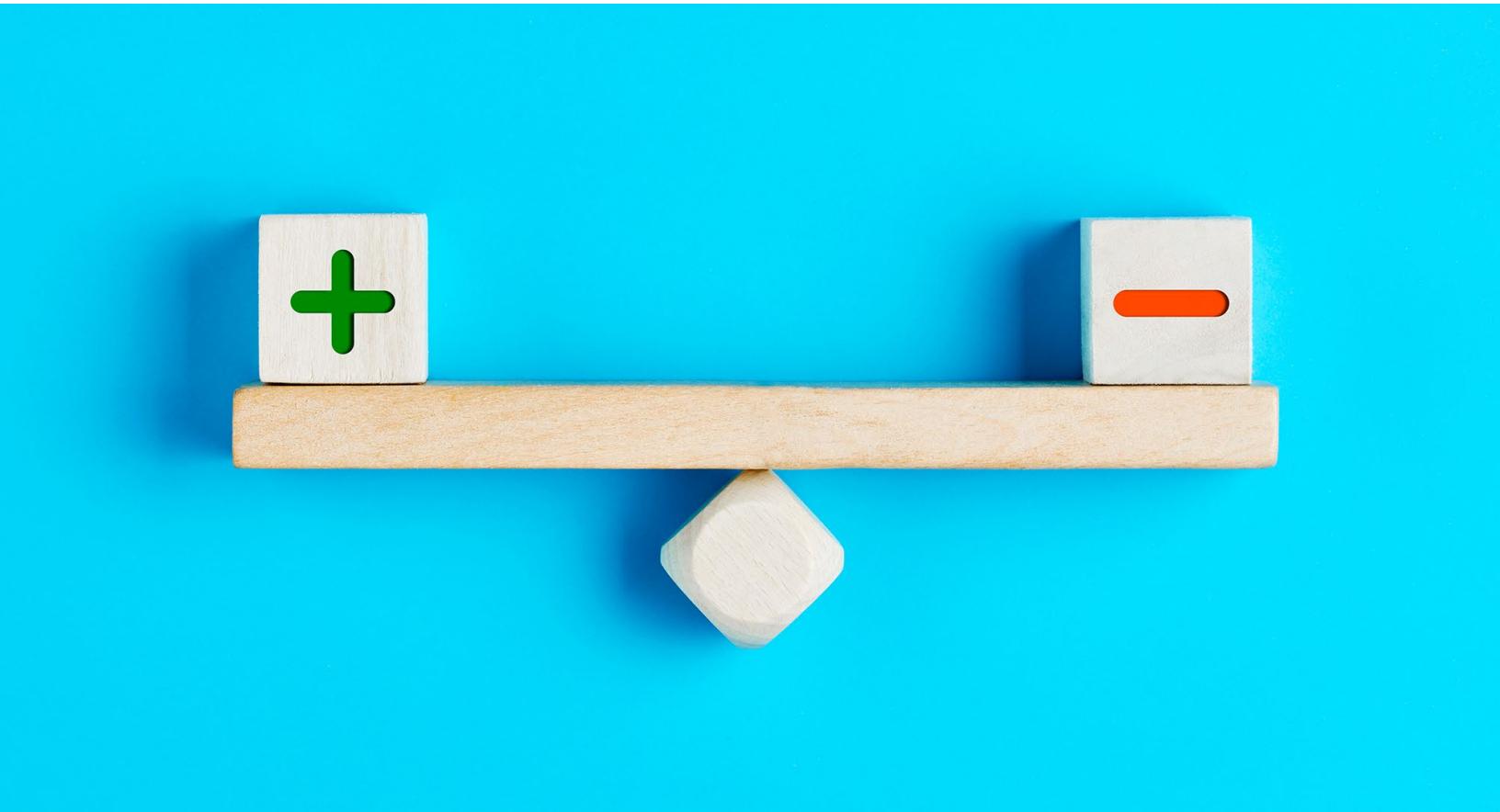

Definitions

Economic activity rate (UK): measures the proportion of the working age population (16 to 64) who are active or potentially active members of the labor market.

Eurozone: the Eurozone or the Euro area consists of 19 countries that use the Euro, including Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia, Spain.

Job leavers rate (Eurozone): total number of people leaving jobs as a percentage of total employment (at the Eurozone level)

Job openings/vacancy rate (US): proportion of all jobs (filled and unfilled) that remain unfilled on the last business day of the month.

Job vacancy rate (Eurozone): is expressed as the number of job vacancies divided by the total number of occupied posts and job vacancies. A job vacancy is defined as a paid post that an employer intends to fill, which is newly created, unoccupied, or about to become vacant.

Labor force (US): people ages 16 years and older and classified as employed or unemployed and actively looking for work.

Employee turnover: equal to the number of employees leaving, divided by the average total number of employees. The number of employees leaving and the total number of employees are measured over one calendar year.

Employee turnover (Refinitiv definition): Includes employees who left the company for any reason (voluntary or involuntary) such as resignations, retirement, natural departure/death, medical incapacitation, redundancy, layoffs, restructuring, dismissal, retrenchment or end of a fixed-term contract. Employees turnover rate = (employees leaving/average number of employees)*100 , where the average number of employee = (employees at the end of the current year + employees at the end of the previous year)/2; employees at the end of the current fiscal year = employees at the end of the previous fiscal year + new employees – employees leaving

NSA: Not Seasonally Adjusted.

Quits rate (US): 'Quits,' a term used by the Bureau of Labor Statistics, is equivalent to the number of employees who left their jobs voluntarily. Retirements or transfers to other locations are reported separately with 'Other Separations.' The quits rate is the number of quits during the entire month as a percent of total employment.

Resignation rate (UK): total number of people resigning from a job (to another job) as a percentage of total employment. Refers to those who were employed in both quarters, but who in the latter quarter reported being with their current employer for less than three months, indicating a change of job between the quarters.

SA: Seasonally Adjusted.

Unemployment rate (US, Eurozone): Number unemployed as a percentage of the labor force.

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