

2025

# RETENTION REPORT

Employee Retention Truths in Today's Workplace





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# Foreword

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## Dear Colleagues,

As we present the ninth annual *Retention Report*, I find myself reflecting on how far we've come since our first edition in 2017. Over nearly a decade, these reports have been cited extensively in articles, research, and strategic discussions. They have shaped the way organizations approach one of their most pressing challenges: retaining top talent. The *2025 Retention Report* builds on this legacy by presenting a roadmap grounded in data, experience, and the evolving realities of today's workforce.

This year's report feels particularly significant. The workplace of 2025 will be profoundly different from what it was just five years ago. While the pandemic accelerated shifts toward remote and hybrid work, it also sparked deeper conversations about Work-Life Balance, flexibility, and what employees truly value. Those conversations evolved into action and friction, as employers and employees navigated a landscape transformed by new expectations and priorities.

Last year's report introduced the concept of the emerging workforce, a cohort shaped by these transformations and defined by their demand for alignment between personal values, career growth, and workplace culture. This year we revisit and expand on that concept, offering a clearer vision of what the emerging workforce has become and the profound implications it holds for retention. Employers who understand and embrace this shift will thrive; those who resist it will face significant challenges to attract and retain talent.

The 2025 Report returns to a theme reminiscent of our very first report, the truths about employee retention. In 2017 we challenged the status quo, debunked myths, and provided organizations with actionable insights

to address the root causes of turnover. Nearly a decade later, many of those truths are as relevant as ever, and new truths have emerged as the context has changed. Retention is no longer just an HR issue; it is a business imperative directly tied to profitability, stability, and competitive advantage.



This report does not only examine trends and identify reasons for turnover. It highlights the importance of accountability. High retention isn't an accident or a matter of luck. It's a deliberate choice, driven by leadership's willingness to listen to employees, act on feedback, and hold themselves to a standard of excellence.

The *2025 Retention Report* challenges every employer to move beyond assumptions, quick fixes, and reactive strategies. It offers sound principles to understand and address the complexities of engagement and retention in today's workplace. As you read through the data, insights, and solutions, I hope you find both direction and motivation to take meaningful action in your own organization.

Thank you for your interest in and dedication to retention. Let's continue to push the boundaries for what's possible and create workplaces that both attract talent and nurture it for the long term.

Best,

Danny

A handwritten signature in dark ink, appearing to read 'Danny', written over a light blue horizontal line.

# Executive Summary

The *2025 Retention Report* highlights a pivotal moment in workforce dynamics, driven by evolving employee expectations and shifting organizational priorities. In this year's analysis, we explore actionable truths about employee retention and emphasize the business imperative of proactive engagement, accountability, and strategic investment in the workforce.

## Key Truths and Findings

- Unmanaged Turnover Is a Fiduciary Breach**  
 Turnover isn't just a human resources challenge; it's a financial and operational risk. Preventable turnover driven by career stagnation, Work-Life Balance issues, and management failures, accounted for 63% of all exits in 2024. Organizations must treat retention as a strategic priority to safeguard profitability and stability.
- Managers Are the Linchpin**  
 Managers directly shape the employee experience. Yet, management-related turnover hit a six-year high and underscores a critical gap in leadership support and development. Organizations need to empower managers with training and resources to foster trust, engagement, and retention.
- Career Development Is the Top Retention Driver**  
 Career-related reasons remained the leading cause of turnover, cited by 18% of employees in 2024. Organizations that offer transparent career pathways, growth opportunities, and role alignment are better positioned to retain talent.
- Flexibility and Well-Being Are Non-Negotiable**  
 The 12% rise in Work-Life Balance concerns in 2024 reflects employee demand for flexible work arrangements and wellness support. Hybrid and remote work models transformed workforce expectations and offer significant retention benefits where feasible.
- Proactive Assessment is Essential**  
 Exit and stay interviews are invaluable predictive tools. Organizations that leverage insights from these interviews effectively reduce turnover and shift reasons for leaving from controllable to less-controllable factors.
- First-Year Turnover Is the Costliest**  
 Early attrition comprises roughly 40% of all turnover and underscores the need for robust onboarding, tailored support, and early-stage engagement strategies to maximize new hire potential. Early stage turnover is also the most costly as organizations fail to regain any return on investment from the departed employee.
- Health & Family Considerations Are Growing**  
 The increase of Health & Family related departures to 13% in 2024 was driven by caregiving demands and mental health challenges. Comprehensive benefits and available employee access to those benefits are critical to address these needs.

## Strategic Imperatives for 2025

- Invest in Managerial Excellence:** Equip managers with skills to lead consistently, communicate effectively, and foster employee growth.
- Address Career Growth Needs:** Develop transparent career paths and robust development programs to align with employee aspirations.
- Embrace Flexibility:** Adapt to workforce preferences with hybrid schedules and wellness initiatives to support work-life integration.
- Leverage Predictive Analytics:** Use workforce data to anticipate and mitigate turnover risks before they materialize.
- Foster Organizational Accountability:** Shift from reactive measures to deliberate, sustained efforts to prioritize employee retention as a core business strategy.

## The Way Forward

Retention is not an accident. It is the result of deliberate choices. High-retention organizations embrace accountability, listen to their workforce, and act decisively to address systemic challenges. As turnover costs rise and workforce mobility persists, employers have a critical choice to either invest in their people or risk falling behind in a competitive labor market.

The *2025 Retention Report* offers the principles to navigate these challenges and transform insights into meaningful action. The future of workforce retention begins by uncovering truths, challenging the status quo, and building workplaces where employees want to stay.

## Workforce Outlook

### 2025 Workforce Outlook: The Rising Costs of Turnover in an Uncertain Labor Market

As we enter 2025, the workforce landscape will be shaped by economic uncertainty, shifting voluntary turnover (quit rates), and potential policy changes under a new administration. While quit rates have declined, the absolute number of employees quitting remains historically high and reflects persistent workforce churn. This dynamic coupled with rising costs of turnover underscores the critical need for employers to prioritize retention as a strategic imperative.

#### Voluntary Turnover: A Persistent Challenge

The quit rate is a measure of voluntary turnover. It declined to its lowest levels in recent years during 2024, with an average of approximately 3.3 million worker quits per month. Despite this decline, approximately **40 million employees still quit their jobs** in 2024, a testament to the scale of workforce mobility.

Projections for 2025 suggest that while the quit rate may stabilize or decline further, **an estimated 35 to 40 million employees are still likely to quit voluntarily**. Though lower than in 2024, this continues to place pressure on employers to address retention.

Ongoing workforce churn means organizations cannot afford to become complacent. Even as fewer employees quit, the cost of replacing those who do will rise.

#### Uncertainty in Immigration Policy and Wage Inflation

The incoming administration’s proposed immigration policies, including potential reductions in legal immigration and increased deportations, remain uncertain. However, if enacted, these measures could:

- Tighten labor supply further, particularly in industries reliant on immigrant labor.
- Exacerbate wage inflation as employers compete for a smaller workforce.
- Increase the financial burden of turnover due to higher replacement wages.
- Create issues with technology resources based on changes in the H1B program.

While these policies have yet to be implemented, the possibility of such changes adds to the urgency for employers to stabilize their existing workforce.

#### The Rising Costs of Turnover

Even with declining quit rates, the costs of turnover will likely rise in 2025 due to wage inflation and labor market constraints. The financial impact of turnover conservatively estimated at 33% of an employee’s base pay, will be amplified by:

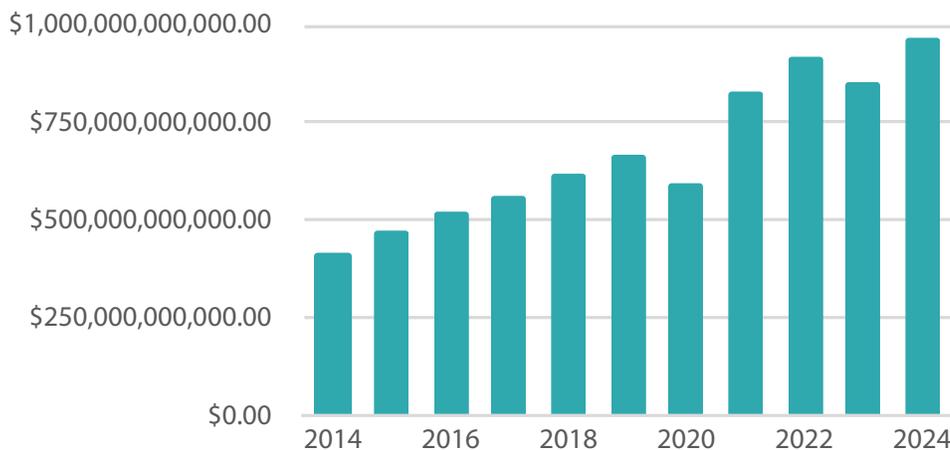
- Higher wages driven by labor shortages and competition for talent.
- Indirect costs such as lost productivity, knowledge gaps, and recruitment expenses.

To replace an employee who earns \$50,000 annually could cost \$16,500 or more assuming wage growth in 2025. This makes proactive retention efforts not only a strategic advantage but also a financial necessity.

#### Strategic Retention: A Path Forward

Employers must focus on retention as a core strategy to navigate a challenging labor market. With voluntary quits still near 36 million and rising turnover costs, the case for investing in retention has never been stronger.

## Cost of Turnover



\*Note: Costs of turnover reflect the average wages for each calendar year.

**Key Recommendations for Employers:**

- **Proactively Address Turnover Risks:** Implement stay interviews and workforce analytics to identify and mitigate potential departures.
- **Strengthen Employee Value Propositions:** Competitive compensation, career development opportunities, and a positive workplace culture are critical to talent retention.
- **Create Flexibility:** Although not all jobs allow for significant flexibility, employers must explore ways to make more jobs flexible in light of the emerging workforce's expectations.
- **Foster Connection and Loyalty:** Employees who feel valued, recognized, and supported are more likely to stay, even in a tight labor market.

**Workforce Stability: A Strategic Imperative**

The volume of voluntary turnover expected in 2025 and the associated rising costs demand immediate action from employers. Organizations that focus on retention will be better positioned to maintain productivity, reduce costs, and build resilience in the face of evolving workforce dynamics.

2025 presents employers with a critical choice to either invest in their workforce to mitigate the financial and operational impacts of turnover or risk falling behind in a competitive labor market. Retention is no longer just a strategy, it is the cornerstone of organizational success.

# Reasons for Leaving Overview

Employee turnover in 2024 continued to be dominated by preventable reasons that highlighted the need for organizations to address core areas of employee dissatisfaction. Key themes such as Career, Work-Life Balance, Management, and Health & Family concerns reveal persistent gaps in workplace alignment with employee expectations. These trends underscore the importance of proactive retention strategies to mitigate preventable turnover and improve organizational stability.

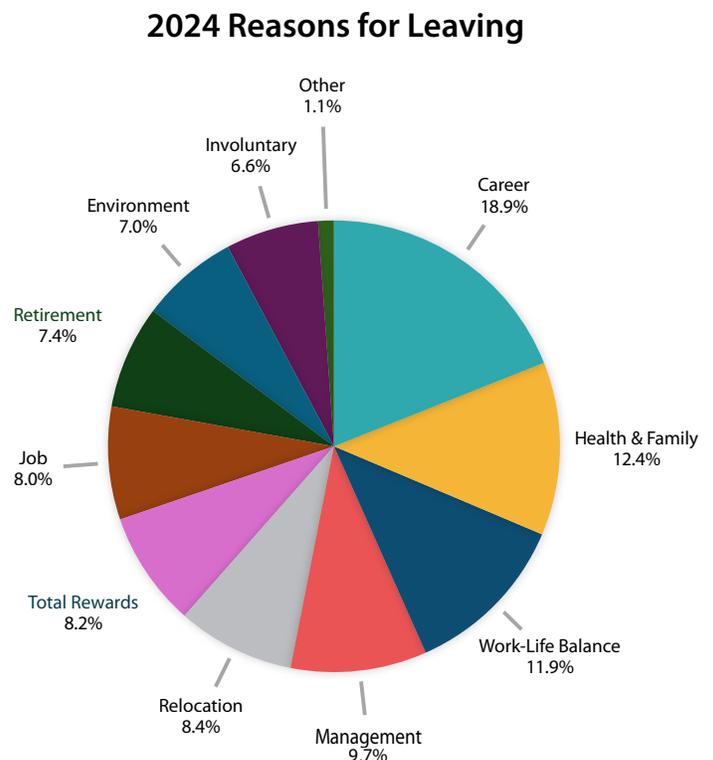
### Preventable Reasons for Leaving include:

- Career Development: 18.9%**  
 Lack of growth opportunities, inadequate career progression, or insufficient professional development
- Health & Family: 12.4%**  
 Personal health issues, caregiving responsibilities, or family dynamics
- Work-Life Balance: 11.9%**  
 Better manage personal and professional responsibilities, often citing flexible scheduling, remote work options, or workload concerns
- Management Behavior: 9.7%**  
 Poor leadership, lack of support, or ineffective communication from managers
- Total Rewards: 8.2%**  
 Dissatisfaction with pay, benefits, or perceived inequity compared to market standards
- Job Characteristics: 8.0%**  
 Nature of the role, such as job fit, lack of meaningful work, or the physical or emotional demands of the job
- Environment: 7.0%**  
 Employees who leave due to organizational culture, facilities or physical environment, mission and values, safety, diversity, or coworkers.

### Less Preventable Reasons include:

- Relocation: 8.4%**  
 Employees who leave due to moving to a new geographic location for reasons outside of work
- Retirement: 7.4%**  
 Leaving one's job or ceasing to work
- Involuntary Reasons: 6.6%**  
 Layoffs,, downsizing, or termination not initiated by the employee
- Other: 1.1%**

This synopsis highlights the critical areas organizations must focus on to address preventable turnover and align workplace practices with evolving employee priorities.



# Reasons for Leaving Trends

The 2024 data highlighted important shifts in the Reasons for Leaving (RFL) themes and reflected the evolving priorities of the workforce and the lingering impact of external factors such as economic uncertainty and workplace transformations. While some themes remained consistent with prior years, others saw significant changes.

## Key Changes in 2024

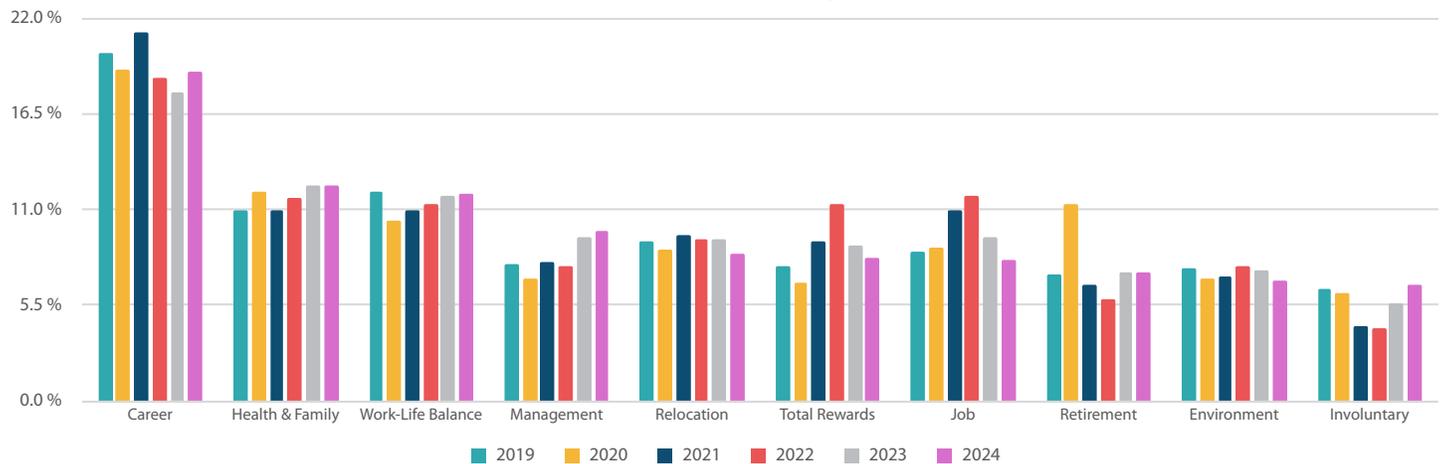
- Career Growth and Alignment:**  
 Career-related reasons continued to dominate turnover trends but showed a slight decline in 2024 compared to prior years. This suggests some organizations addressed career alignment and growth opportunities, but it remained a critical driver of turnover.
- Work-Life Balance:**  
 Work-Life Balance saw a noticeable increase in 2024, reflecting the sustained demand for flexibility and wellness. Employees are increasingly unwilling to compromise on their need for adaptable work arrangements, making this a growing priority for retention efforts.
- Management Issues:**  
 Management-related turnover increased to a six-year high in 2024 and underscored ongoing challenges with leadership effectiveness as employees placed greater emphasis on trust, communication, and consistency from their managers.

- Total Rewards:**  
 Turnover due to compensation and benefits continued to decline in 2024, likely a reflection of market uncertainty and fewer available jobs. This trend continues to show that employees desire more than just money.
- Environment and Health & Family:**  
 Reasons related to Environment and Health & Family remained relatively stable, but these categories continue to represent opportunities for targeted organizational support, especially for employees navigating external pressures.

## Notable Observations for 2024

- Stabilization of Turnover Categories:** Many categories, while still significant, showed less dramatic year-over-year shifts. This indicates a plateau in some Reasons for Leaving as organizations address long-standing issues.
- Increased Sensitivity to Leadership:** The spike in management-related turnover signals an urgent need for leadership development programs to improve retention.
- Persistent Demand for Flexibility:** Work-Life Balance continued to trend upward and reinforced the need for flexible and employee-centered workplace policies.

Reasons for Leaving Trends



# Emerging Truths of Employee Retention

Employee retention is one of the most pressing challenges organizations face today. Amid fluctuating economic conditions, evolving workforce expectations, and increasing competition for talent, many employers struggle to understand why employees leave and, more importantly, what drives them to stay. Work Institute has spent decades studying these dynamics and uncovering actionable insights to help organizations move beyond surface-level assumptions and into the root causes of turnover.

The truths of employee retention are not always easy to accept, but they are essential for meaningful progress. They challenge conventional narratives, demand a deeper review of organizational practices, and require accountability at all levels. These truths reveal that employee retention is neither random nor inevitable; it is the result of deliberate and sustained effort.

## A Call to Action for Employers

The truths of employee retention demand organizations challenge themselves to do better. High retention is not achieved through quick fixes or reactive measure but through a commitment to understand employee needs, address systemic issues, and continually build a workplace where people want to stay.

This report provides the principles for employers that seek to transform their retention strategies. Not only will organizations reduce turnover when they embrace these truths, they will also unlock the full potential of their workforce through sustained growth, engagement, and success. It is time to move beyond assumptions, to act on what the data tells us, and to take the necessary steps to build workplaces that truly support their people. **High retention begins with facing these Truths.**

## The Emerging Truths of Employee Retention

- **Unmanaged Employee Turnover Poses a Fiduciary Breach**
- **Managers Are the Linchpin for Employee Turnover**
- **Career Development Remains the Primary Cause of Employee Turnover**
- **Favorable Ratings Undermine Employee Engagement & Retention**
- **Compliance Issues Are on the Rise and Should Not Be Dismissed as a Cost of Doing Business**
- **Remote and Hybrid Work Is a Transformative Workplace Practice and Here to Stay**
- **Exit and Stay Interviews Are Predictive Tools to Mitigate Employee Turnover**
- **First-Year Turnover Is the Costliest Employee Attrition**
- **Health & Family Concerns Cannot be Ignored as a Growing Driver of Employee Turnover**
- **Pay Is a Signal, Not a Solution to Turnover**

# Truth: Unmanaged Employee Turnover Poses a Fiduciary Breach

Only 11% of employers Strongly Agree that they consistently track costs of turnover.

Employee turnover is more than a human resources challenge. It is a fiduciary risk that directly impacts operational efficiency, profitability, and long-term organizational stability. Companies that fail to manage turnover effectively breach their responsibility to stakeholders by undermining their competitive edge and escalating costs. Over-reliance on reactive measures like benchmarking, without addressing root causes, exacerbates these vulnerabilities and erodes both employee trust and financial performance.

## The High Costs of Turnover

Turnover incurs significant financial and operational costs. Direct expenses such as recruitment, onboarding, and training, combine with indirect costs like productivity loss, strained workloads, and diminished team morale. These effects cascade through organizations, reducing profitability and creating cycles of dissatisfaction.

Turnover-related costs in 2024 were magnified by preventable departures, which accounted for **76.3% of all exits**. These were driven by preventable factors such as:

- **Career Misalignment (18.9%):** Gaps in role clarity and growth opportunities

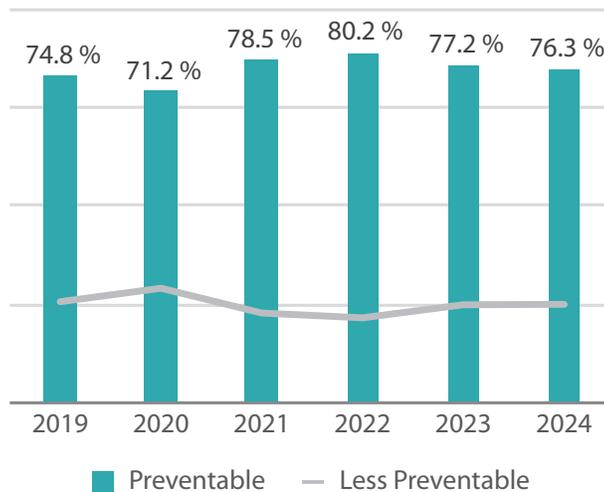
- **Work-Life Balance (12.0%):** Persistent demand for flexibility and wellness initiative
- **Management-Related Turnover (9.7%):** A six-year high that reflects issues with leadership accountability, trust, and inclusivity

The financial burden to replace an employee is estimated at **33% of their base wages**, with rising wage inflation in 2025 likely to increase this burden. For instance, to replace an employee who earns \$50,000 annually costs at least \$16,500, and higher salaries drive these costs even further. These compounding financial pressures make unmanaged turnover an unsustainable risk.

## Turnover Threatens Organizational Stability

Uncontrolled turnover disrupts workflows, reduces productivity, damages morale, and places organizational stability and profitability at risk. Operational disruptions force remaining employees to absorb additional workloads which often leads to burnout and disengagement. Furthermore, high turnover tarnishes the employer brand and makes it increasingly difficult to attract and retain top talent.

Preventable vs. Less Preventable Reasons for Leaving Trends



Nearly 40 million employees quit their jobs voluntarily in 2024, and projections estimate 35 to 40 million will quit in 2025. While this represents a decrease, it remains historically high and signals that workforce mobility continues to challenge employers. The persistent scale of voluntary turnover underscores the need for proactive retention strategies to stabilize operations and mitigate financial losses.

## Strategic Retention as a Fiduciary Obligation

Organizations have a strategic and fiduciary imperative to address employee turnover. They must shift from reactive to proactive retention strategies to address the root causes of turnover and fulfill their responsibility to stakeholders. Effective retention practices are key to foster long-term stability and profitability.

### Key Strategies to Reduce Turnover

- **Focus on Career Development:** Align roles with employee goals through clear career paths, development, and advancement opportunities.
- **Prioritize Flexibility:** Adapt to employee needs with flexible schedules and wellness initiatives to enhance Work-Life Balance.
- **Develop Leadership:** Equip managers with the skills to build trust, communicate effectively, and create environments that drive engagement.
- **Leverage Data:** Utilize feedback from exit and stay interviews, pulse surveys, and workforce analytics to gain actionable insights and address turnover risks before they escalate.

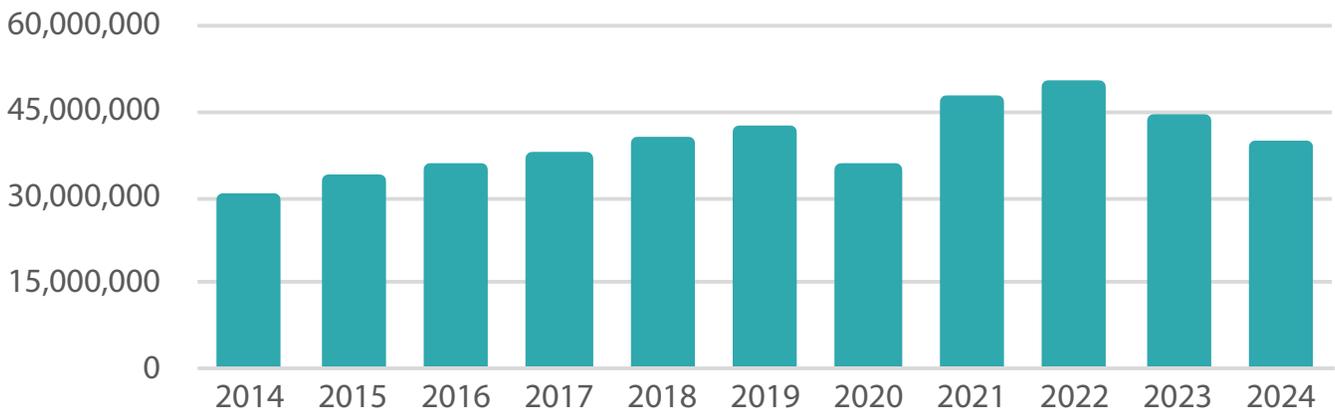
## The Bottom Line: The Fiduciary Case for Retention

Unchecked turnover compromises an organization’s profitability, stability, and stakeholder trust. Address preventable Reasons for Leaving and implement dynamic, employee-centered retention strategies to meet workforce demands and achieve business goals. Employers who invest in retention not only safeguard their workforce but also strengthen their competitive position in an evolving labor market.

In 2025, organizations must recognize turnover management as a core fiduciary responsibility. By proactively addressing the root causes of attrition, they will mitigate financial losses, enhance operational stability, and build a resilient workforce for the future.

63% of employers state that improving employee turnover is NOT a top priority or other priorities take precedence.

## Voluntary Turnover



# Truth: Managers Are the Linchpin for Employee Retention

Only 26% of Senior HR Executives Agree or Strongly Agree that managers are effective at retaining employees.

Managers hold the single most significant influence over employee retention. They shape the day-to-day experiences of their teams and directly impact engagement, performance, and intent to stay. Despite their critical role, many managers are increasingly burdened with additional responsibilities that detract from their ability to focus on their primary role: leading, coaching, and supporting their employees.

In 2024, 9.7% of employee turnover was directly attributed to management issues, a significant increase that reflects the growing strain on managerial effectiveness. Exit interview findings consistently highlight poor professional behavior, lack of support, and ineffective communication as recurring themes among employees who quit. These trends reveal the urgency to prioritize the development and support of managers to ensure they can meet the evolving needs of the workforce.

Only 24% of leaders Strongly Agree that Managers are held accountable for employee turnover.

## The Growing Pressures on Managers

Recent research indicates managers are asked to take on an ever-expanding array of responsibilities that range from administrative tasks to the implementation of organizational change initiatives. While these responsibilities are often critical, they reduce the time available for managers to build relationships with their teams, provide coaching, and offer meaningful support.

### Key Consequences of Manager Overload:

- **Reduced Team Support:** Overburdened managers struggle to address individual employee needs, which creates disengagement and dissatisfaction.
- **Erosion of Trust:** Limited communication fosters perceptions of a lack of transparency and exacerbates turnover risks.
- **Missed Development Opportunities:** Employees feel stagnant and undervalued when managers prioritize immediate tasks over mentoring.
- **Span of Control Issues:** Larger team sizes can dilute the training, attention, and guidance managers can provide and impacts team performance.
- **Managerial Burnout:** The strain of balancing competing priorities can lead to manager disengagement and negatively affect their teams.

Management as a Reason for Leaving Trend



63% of leaders Strongly Agree that Manager responsibilities increased in the last 12–24 months.

## Evidence from Retention Data

Work Institute’s data shows that former employees cite their manager as the primary Reason for Leaving increased by almost 25% in the last two years. Furthermore, the Professional Behavior subtheme increased 150%, from 2.4% to 6.0%, since 2022. This trend highlights the widening gap between employee expectations of leadership and the capacity of managers to meet those expectations. As employees seek meaningful feedback, mentorship, and career support, ineffective or absent management becomes an increasingly intolerable issue.

### Actionable Solutions to Empower Managers

The empowerment of Managers is an investment in the entire workforce. Organizations drive retention and engagement after they address the root causes of managerial challenges.

- Reduce Non-Leadership Responsibilities:**  
 Analyze managerial workloads to offload administrative tasks or delegate non-critical duties. Streamline processes with tools that allow managers to prioritize leadership and team engagement.
- Provide Professionalism and Leadership Training:**  
 Offer training programs focused on fairness, respect, and effective communication. Equip managers with the skills to build trust, navigate conflicts, and inspire their teams.
- Prioritize Coaching and Development:**  
 Create accountability structures for managers to regularly engage in mentoring, feedback, and career development conversations. Make employee growth a measurable priority.
- Analyze Span of Control:**  
 Assess whether managers oversee too many direct reports. Optimize team sizes to ensure managers provide individualized attention and support.

- Invest in Managerial Well-Being:**  
 Provide wellness resources, peer support networks, and flexible schedules to prevent burnout and improve manager effectiveness.
- Offer Continuous Development Opportunities:**  
 Regularly update managerial training to address emerging workforce needs and develop adaptability. Managers who feel supported in their own growth are more likely to support their team’s growth and development.

## The Bottom Line: Organizations Must Prioritize Managerial Development to Combat Employee Turnover

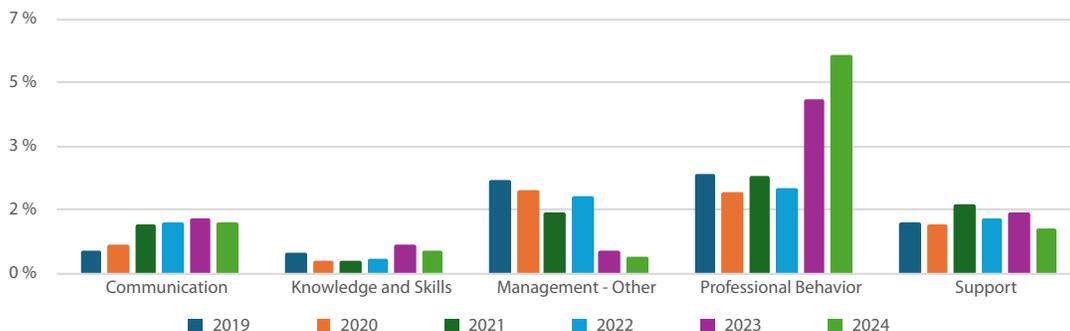
Managers are the linchpin of employee retention. They wield direct influence over key factors that drive turnover. Data consistently shows employees leave because of poor managerial behavior, ineffective communication, lack of support for Work-Life Balance, and limited career growth opportunities. These sub-themes reveal the critical managerial responsibility to shape the day-to-day experiences of their teams.

Managers inadvertently contribute to disengagement, mistrust, and stagnation when they are unable to lead effectively. For example, unclear communication or insufficient coaching leaves employees feeling undervalued and disconnected from their work. The failure to accommodate flexibility heightens stress and dissatisfaction.

Organizations must recognize these challenges and prioritize investments in managerial training, well-being, and workload optimization. Organizations can address the root causes of turnover, foster a culture of engagement, and enhance retention when they empower their managers to support their teams more effectively. The path to a thriving workforce begins with recognizing and supporting managers as the key drivers of employee satisfaction and loyalty.

33% of employers Strongly Agree they will expand training for Managers in 2025.

Manager Reasons for Leaving Subtheme Trends



# Truth: Career Development Remains the Primary Cause of Employee Turnover

Only 14% of leaders Strongly Agree they provide effective Career Development opportunities for employees.

For the 14th consecutive year, Career remained the top category of employee turnover and reflects a sustained demand for growth opportunities, professional alignment, and development pathways. In 2024, Career issues accounted for 18.9% of turnover, a slight increase from 17.7% in 2023 but below the pandemic-era peak of 21.1% in 2021. This stabilization suggests incremental progress but underscores how Career Development remains a critical challenge for organizations.

## The Persistent Impact of Career Issues

Career dissatisfaction continued to dominate as the primary reason for employee attrition despite its slight decline from pandemic-era highs. This enduring trend highlights employees' growing focus on roles that meet their immediate professional needs and also align with their long-term aspirations. Organizations that fail to provide opportunities for growth, internal mobility, and alignment risk the loss of high-potential employees to competitors or employers perceived to offer more attractive career development. Employers that fail to address these issues also risk significant operational, financial, and strategic setbacks.

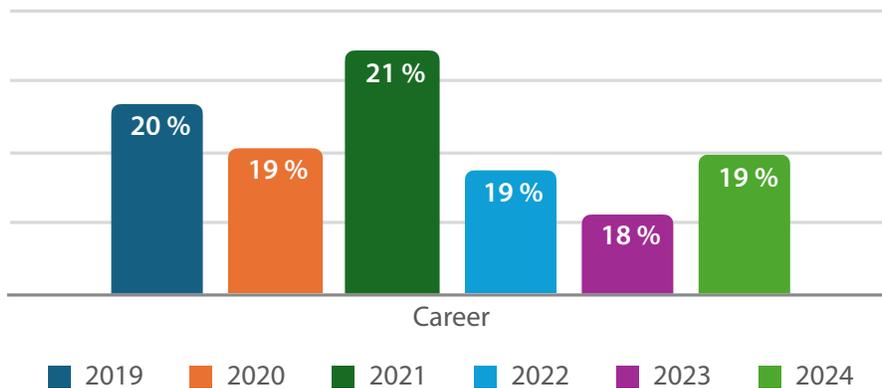
Employees increasingly prioritize roles that offer clear growth trajectories and meaningful development opportunities. As workforce expectations evolve, the ability to provide these elements is no longer a differentiator but a baseline requirement for retention of the emerging workforce. Failure to address Career-related concerns creates a ripple effect in loss of institutional knowledge, increased recruitment costs, and diminished employee engagement among remaining team members.

## Organizational Gaps in Career Development

The findings reveal that while organizations made strides in to address Career concerns, significant gaps remain:

- **Limited Internal Mobility:** Employees often cite a lack of visible and accessible internal career opportunities as a major frustration. Without clear pathways for progression, employees may feel stagnant and lead them to seek opportunities elsewhere.
- **Insufficient Professional Development:** A lack of robust training programs, leadership guidance, and skill-building opportunities hinders employees from their potential within their current roles.
- **Misalignment of Aspirations and Roles:** Lack of or miscommunication between employees and managers regarding career goals and necessary capabilities fosters misalignment and creates dissatisfaction and disengagement.

## Career Reasons for Leaving Trend



## Solutions to Combat Career-Related Turnover

Organizations must adopt proactive and employee centered strategies to address Career related turnover.

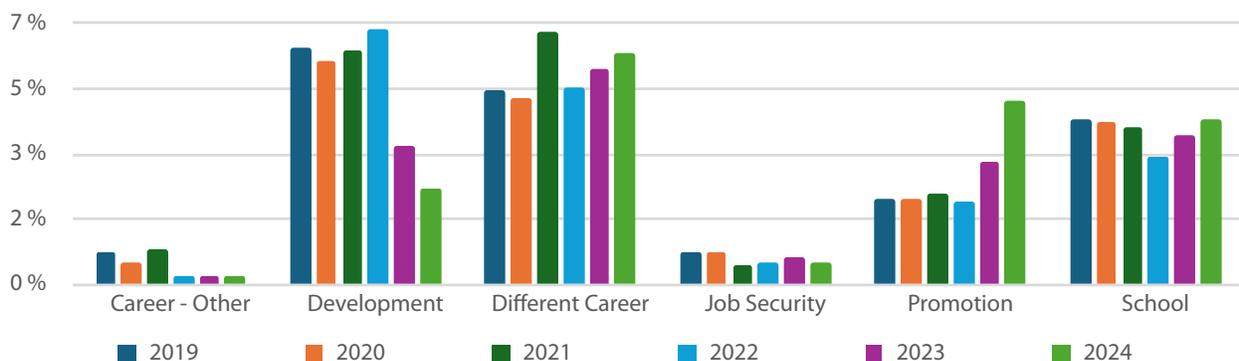
- Leverage Stay Interviews:** Regularly engage employees in conversations about their career aspirations, challenges, and concerns. Stay interview strategies identify and address potential issues before employees consider external opportunities. Many organizations find external stay interviews a more effective tool to uncover employee Career concerns.
- Improve Career Development Programs:** Offer comprehensive training programs, certifications, and opportunities for skill development. Provide structured initiatives to connect employees with leaders or resources to guide their professional growth and unlock their potential.
- Create Transparent Career Pathways:** Develop and communicate clear frameworks for internal career progression. Provide employees with a roadmap for growth within the organization to help them visualize their future and build loyalty.
- Capabilities and Experience:** Organizations must define for employees what capabilities and experiences are necessary to evolve in their current role, prepare for different roles, or advance.
- Align Roles with Aspirations:** Ensure Managers are trained to discuss career goals with employees and, where possible, align roles with individual aspirations. This alignment fosters engagement and increases retention.

## The Bottom Line: Career Development is a Strategic Imperative

Addressing career development is not just a retention tactic—it is a strategic imperative. Organizations that proactively invest in employee development foster loyalty, enhance engagement, and build a workforce aligned with long-term business goals. In contrast, failure to meet these needs leads to avoidable turnover and the loss of talent that could have been cultivated into long-term employees.

As the findings consistently show, Career issues are preventable. Organizations can transform the leading cause of turnover into a cornerstone of retention with a focused approach to Career Development programs.

Career Subthemes : Reasons for Leaving Trend



# Truth: Favorable Ratings Undermine Employee Engagement & Retention

51% of Senior HR Executives indicate they utilize Favorable Ratings for employee survey reporting.

Employee surveys are a cornerstone of employee feedback and workplace analytics, but the methodology is often fundamentally flawed. Most survey providers combine the top two survey ratings (e.g., “Very Satisfied” and “Satisfied”) to generate “favorable” scores and correlate them with retention and loyalty. However, research and data analysis consistently prove favorable ratings have little predictive value for intent to stay. This flawed methodology perpetuates a disconnect between employee experience metrics and actual retention outcomes that contribute to declining engagement and satisfaction levels in the U.S.

## The Misalignment Between Favorable Ratings and Retention

The problem lies in the assumption that favorable ratings equate to loyalty. Employees who rate their experiences as merely “favorable” may still harbor unmet needs that drive turnover. “Excellent” ratings are stronger predictors of engagement and retention whereas favorable ratings often mask underlying frustrations or disengagement. As a result, organizations that rely solely on aggregated favorable scores risk overlooking critical warning signs of dissatisfaction.

This misalignment creates a paradox: organizations celebrate high favorable ratings while turnover continues to be an issue. Without understanding the nuances of employee motivations, companies may misinterpret positive feedback as an indicator of stability, leaving key retention gaps unaddressed.

Since 2020, Work Institute has tracked a consistent decline in perceptions of Company as an employer, Managers, Job satisfaction, and Team members. The results have been higher employee turnover and a decline in overall employee engagement.

## A Different Approach – Work Institute’s Net Excellence Score

The **Net Excellence Score (NES)** is a proprietary metric developed by Work Institute to evaluate employee sentiment and identify areas of improvement with greater precision than traditional satisfaction or engagement scores. Unlike metrics that rely solely on aggregated “favorable” ratings, NES focuses on excellence as a standard and offers deeper insights into employee perceptions and their correlation with retention and organizational performance.

### The Foundation of NES

NES builds on principles derived from employee feedback surveys and interviews, such as:

- **Focus on the “Top Ratings”:** Rather than combining the top two ratings (e.g., “Satisfied” and “Very Satisfied”), NES emphasizes the top rating (e.g., “Excellent” or “Strongly Agree”), as these responses are stronger predictors of engagement and intent to stay.
- **Weighting Ratings by Sentiment:** Employees who rate their experience as excellent are more likely to remain loyal, while those with neutral or favorable ratings may still harbor dissatisfaction or latent turnover risks.

### Key Differentiators of NES

- **Excellence Over Favorability:** NES emphasizes excellence as the standard and challenges organizations to aim higher than merely “good enough” outcomes.
- **Correlated with Retention:** NES is a predictive metric of retention strategies because research shows employees who rate their experience as excellent are significantly more likely to stay.
- **Actionable Insights by Category:** The NES score is applied across individual workplace categories and provides granular insights into which areas require targeted interventions.

### Applications of NES

The Net Excellence Score is a versatile tool used by Work Institute and its partners to:

- **Identify High-Risk Areas:** Categories with low NES scores highlight areas where dissatisfaction is prevalent which enables organizations to focus resources effectively.
- **Monitor Progress Over Time:** By tracking NES across reporting periods, organizations can evaluate the impact of retention initiatives and identify emerging risks.
- **Drive Accountability:** NES sets a high standard for employee experience and encourages leaders to align their strategies with workforce expectations for excellence.

### Why NES Matters

A striking inconsistency exists in how companies approach employee and customer satisfaction. Businesses strive for excellence with their customer experience strategies to ensure their customers have an exceptional experience, not just a favorable one. Yet, when it comes to employees, “favorable” is often deemed acceptable. This double standard reflects a lack of accountability in workforce management and undermines the very foundation of employee engagement.

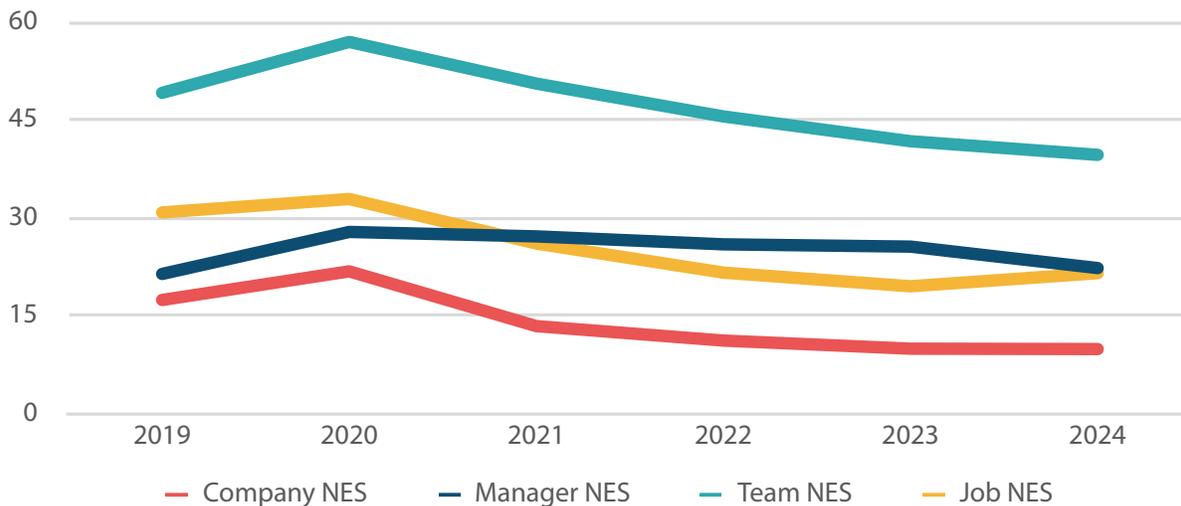
NES represents a shift away from traditional metrics that aggregate favorable ratings without fully addressing employee motivations or frustrations. By focusing on excellence, organizations are held to a higher standard and foster deeper engagement and loyalty among their workforces.

### Set a Higher Standard

Traditional reliance on favorable ratings reflects a complacent approach to the employee experience. Organizations must hold themselves to a higher standard to align their metrics and strategies with the same principles of excellence they demand for the customer experience. Businesses that hold themselves to “excellence” align retention strategies with workforce needs to reduce turnover and foster a culture of excellence.

Businesses strive for excellence with their customer experience strategies to ensure their customers have an exceptional experience, not just a favorable one.

## Net Excellent Scores of Retention Drivers



# Truth: Compliance Issues Are on the Rise and Should Not Be Dismissed as a Cost of Doing Business

11% of leaders Strongly Agree their organization takes effective action on legal and compliance issues.

In recent years, compliance-related concerns such as fraud, abuse, unethical practices, and illegal behavior increasingly came to the forefront of workplace issues. Work Institute's data from 2020 to 2024 shows a steady rise in the percentage of employees who reported awareness of such issues and culminated at a concerning 7% in 2024—a 52% increase over four years. External factors and ongoing trends suggest this trajectory is likely continuing upward. This increase signals a critical issue that organizations cannot afford to overlook.

## Compliance Issues: A Growing Threat to Organizational Stability

The rise in reported compliance issues reflects more than a numerical trend. It highlights a growing vulnerability within organizations. Noncompliance is not merely a legal or regulatory risk; it has profound implications for employee retention, engagement, and organizational culture. Employees who witness or suspect unethical behavior are more likely to feel disillusioned, disengaged, or mistrustful of their leadership which leads to higher turnover and reputational damage.

This is not just a corporate governance issue—it's a human one. Employees want to work in environments they feel secure, valued, and aligned with their organization's values. When compliance issues are ignored or inadequately addressed, employees often perceive their employers condone unethical behavior which can undermine trust and loyalty.

## The Root Causes of Rising Compliance Issues

Several factors contribute to the increasing prevalence of compliance concerns in the workplace:

- **Pressure to Perform:** High-pressure environments, particularly in industries with tight margins, can lead employees to cut corners and or make unethical decisions.
- **Managerial Overload:** Managers, already burdened with expanded responsibilities, may overlook or fail to address compliance issues and inadvertently allow problems to escalate.
- **Lack of Accountability:** Organizations that treat compliance failures as a cost of doing business create a culture where unethical behavior is tolerated rather than addressed.
- **Complex Regulatory Environments:** The risk of noncompliance grows as industries increasingly face complex regulatory frameworks. Organizations that fail to keep pace with these changes may inadvertently create conditions where unethical behavior flourishes.

## The Retention Impact of Compliance Issues

Work Institute's research consistently demonstrates a strong connection between ethical workplace cultures and employee retention. When employees witness or suspect compliance violations, they often leave and cite dissatisfaction with management, lack of trust, or misalignment with organizational values. In environments where compliance issues persist, organizations face a domino effect of higher turnover, lower engagement, and reduced morale.

Data from 2024 revealed 7.0% of employees reported awareness of compliance issues, which is a 79% increase from 2021. This upward trend underscores the importance of proactive measures to mitigate these risks before they erode organizational stability.

## Compliance as a Retention Strategy

Compliance is both a regulatory requirement and a retention strategy. Employees who work in compliant environments are more likely to trust their employers, feel aligned with organizational values, and remain loyal over the long term. By addressing compliance issues proactively, organizations demonstrate their commitment to integrity and foster a culture that attracts and retains top talent.

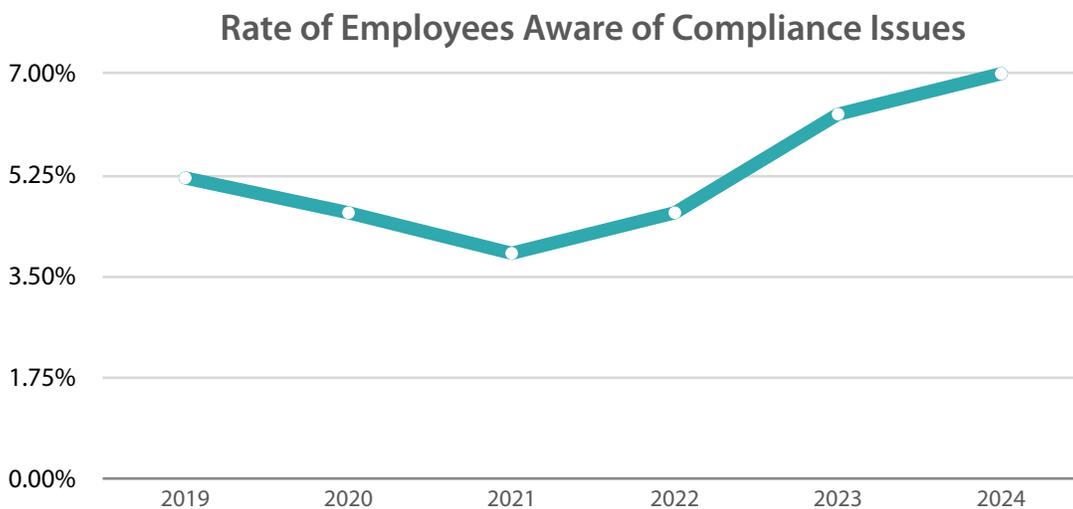
Key actions could include:

- **Create a Culture of Transparency:** Foster an environment where employees feel safe to report compliance concerns without fear of retaliation. Anonymous reporting systems and open-door policies are essential to building trust.
- **Strengthen Training and Communication:** Equip employees and managers with the knowledge and tools needed to identify, address, and prevent compliance issues. Regular training should cover not only legal requirements but also ethical decision-making.
- **Empower Managers:** Reduce managerial overload and ensure that managers are equipped to address compliance concerns. This includes providing clear expectations, training, and support to solve these complex issues.
- **Hold Leadership Accountable:** Compliance begins at the top. Leaders must model ethical behavior, enforce accountability, and demonstrate a commitment to address compliance risks transparently and effectively.

- **Leverage Employee Feedback:** Implement stay interviews, exit interviews, and pulse surveys to identify potential compliance risks early. Employees often provide the first warning signs of systemic issues.
- **Establish Robust Monitoring Systems:** Regular audits and monitoring processes can help organizations identify and address compliance gaps before they escalate into larger problems.

## The Bottom Line: Deliberate Action and Accountability is Required to Address Compliance Issues

The rise in compliance concerns is a wake-up call for organizations. These are not a cost of doing business, they are a threat to employee trust, organizational culture, and long-term success. Address compliance issues through deliberate action, transparency, and accountability. Organizations that embrace this responsibility not only reduce their legal risks but also strengthen their workforce, build loyalty, and position themselves as ethical leaders in their industries. Compliance is not optional. Compliance is a foundation to high retention and sustainable success.



# Truth: Exit and Stay Interviews Are Predictive Tools to Mitigate Employee Turnover

6% of Senior HR Executives report Always conducting exit interviews with departed employees.

Exit and stay interviews are not just tools to understand turnover—they are predictive instruments that enable organizations to foresee and address future attrition risks. Exit interviews provide clarity about why employees leave and the insights gleaned reveal systemic issues that will likely lead to continued turnover when left unaddressed. Work Institute has consistently observed organizations that act on exit interview findings significantly reduce turnover and shift reasons for leaving from preventable to less preventable categories.

Together, exit and stay interviews offer a comprehensive and actionable framework to address employee concerns and build a culture that fosters long-term retention.

## Exit Interview Provide Predictive Insights from Departures

Exit interviews provide invaluable insights into the conditions, behaviors, and decisions that prompt employees to leave. However, their true value lies in their predictive power. By analyzing trends and recurring themes, organizations can anticipate and mitigate similar risks for the remaining workforce.

**Key benefits of exit interviews include:**

- **Uncover Predictive Patterns:** Aggregate data from exit interviews helps organizations identify recurring issues, such as dissatisfaction with career growth, management practices, or Work-Life Balance. These patterns often point to future risks if the underlying issues are not resolved.
- **Drive Change:** Exit feedback serves as a catalyst for organizational improvement and reveals gaps in policies, processes, or communication that may not be apparent to current employees or leadership. Organizations that use this data strategically strengthen their cultures and reduce preventable turnover.
- **Enhance Employer Brand:** Understand and address why employees leave positions to show the organization is responsive and committed to their workforce, enhancing their reputation in the talent market.

Work Institute's data highlights organizations that act on exit interview findings have measurable reductions in turnover and a shift toward less-preventable Reasons for Leaving, over more-preventable ones like career dissatisfaction or poor management.

## Stay Interviews: Proactive Retention Strategies

Stay interviews complement exit interviews by providing real-time insights into what motivates employees to stay and what might drive them to leave. Unlike exit interviews, which analyze past decisions, stay interviews allow organizations to make proactive adjustments before dissatisfaction escalates.

**The advantages of stay interviews include:**

- **Prevent Emerging Risks:** Stay interviews reveal employees' current frustrations, concerns, and aspirations, which enables leaders to address potential turnover drivers before they become critical.
- **Build a Culture of Trust:** Organizations demonstrate their commitment to employee well-being and career development through regular, open, and transparent conversations.
- **Personalize Retention Strategies:** Stay interviews allow managers to tailor interventions to individual employees, such as career development opportunities, workload adjustments, or the implementation of flexible work arrangements.
- **Foster Engagement:** Employees are more likely to feel valued when they see their feedback lead to meaningful changes. This builds loyalty and reinforces their connection to the organization.

## The Predictive Power of Exit and Stay Interviews

Exit and stay interviews provide a comprehensive view of employee sentiment. While exit interviews identify the factors that drove employees to leave, stay interviews uncover issues that could lead to future departures. Together, they create a predictive framework that allows organizations to address root causes of turnover systematically.

For example, if stay interview feedback reveals that employees desire better career development opportunities and exit interviews confirm that lack of progression is a leading reason for leaving, this signals an urgent need to enhance career growth initiatives. Similarly, tracking the alignment between exit and stay interview data helps organizations prioritize interventions in areas where the risk of turnover is highest.

## Best Practices to Implement Exit and Stay Interviews

- **Standardize Processes:** Develop consistent methodologies to ensure data reliability and comparability across teams and departments.
- **Use Skilled Interviewers:** Employ trained professionals or HR practitioners to conduct interviews to ensure that feedback is honest and actionable.
- **Analyze and Act on Data:** Regularly review aggregated data from interviews to identify trends and develop targeted retention strategies.
- **Close the Feedback Loop:** Demonstrate responsiveness by sharing action plans with employees and communicating how their feedback drives organizational improvements.
- **Integrate Insights into Retention Strategies:** Use interview data to inform broader initiatives, such as manager training, career development programs, and workplace culture enhancements.

## The Bottom Line: The Strategic Value of Employee Research Provides Predictive Insights

Exit and stay interviews are not just tools to gather feedback. They are critical levers to transform employee experience and reduce turnover. Organizations that recognize their predictive value proactively address employee concerns, prevent future attrition, and foster a culture of trust and engagement.

Work Institute's evidence-based approach underscores that organizations willing to act on these insights will reap significant benefits: lower turnover, stronger teams, and a more aligned and motivated workforce. Exit and stay interviews are not just about understanding the past. They are about shaping the future.

# Truth: First-Year Turnover Is the Costliest Employee Attrition

First-year turnover represents one of the most significant challenges and expenses for organizations. Findings show as much as 40% of overall employee turnover occurs within the first year of employment and underscores the vulnerability of new hires during this critical period. Unlike employees who have stayed for several years, new hires who leave within their first year often provide minimal return on investment (ROI). These departures disrupt operations, diminish morale, and incur significant costs related to recruitment, onboarding, and training. Address first-year turnover with targeted strategies to improve retention, reduce costs, and maximize the potential of new employees.

## The High Cost of First-Year Turnover

First-year employees require considerable investments in recruitment, onboarding, and training before they reach minimum or ultimately peak productivity. When these employees leave prematurely, organizations lose the time, effort, and resources invested without realizing any measurable ROI.

For example:

- **Recruitment Costs:** Expenses to recruit, screen, and interview candidates are sunk costs when a new hire leaves early.
- **Training and Onboarding:** New hires require structured onboarding and job-specific training, which represent both direct costs and lost productivity for managers and trainers.
- **Operational Disruption:** High first-year turnover disrupts team dynamics and continuity, reduces overall operational functionality and productivity, and places additional strain on remaining employees.

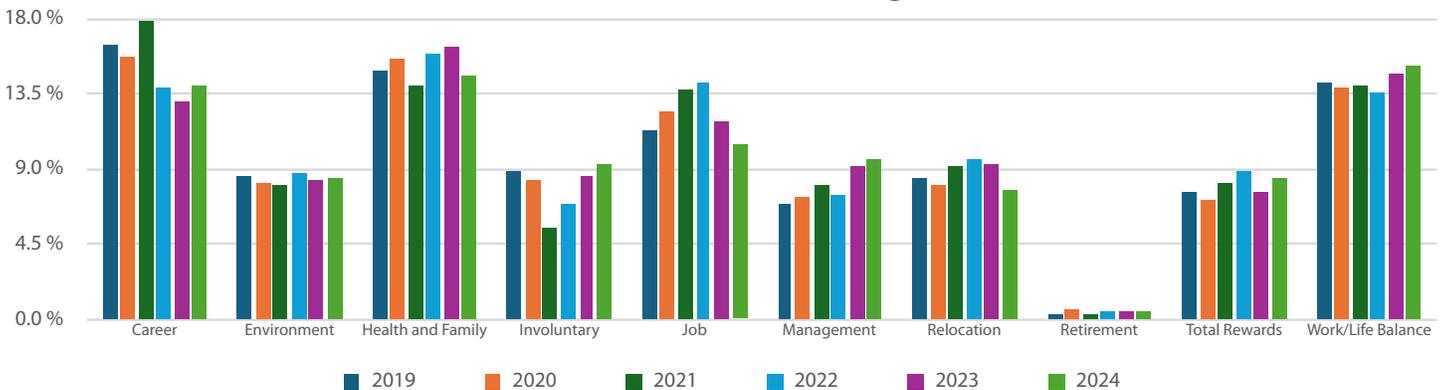
Unlike tenured employees who leave after years of valued contributions, first-year attrition offers little to no payoff which makes it the most expensive turnover category for organizations.

## Why First-Year Employees Leave

Work Institute data and research identify several key drivers of first-year turnover, many of which are preventable:

- **Management Issues on the Rise:** Management-related turnover rose from 7.4% in 2022 to 9.6% in 2024, emphasizing the critical role managers play in shaping the experience of new hires. Overburdened or undertrained managers often struggle to provide the core training, support, and coaching that new employees need.
- **Work-Life Balance:** 15.1% of first-year turnover attributed to Work-Life Balance. Flexible scheduling and hybrid work models are increasingly important to retain new hires.
- **Health & Family Pressures:** At 14.6%, Health & Family concerns remain a top reason for early attrition and highlights the need for comprehensive benefits that address personal needs.
- **Career Priorities:** While career growth remains relevant, its decline from 18% in 2021 to 14% in 2024 suggests that new hires prioritize immediate factors, such as management effectiveness and work-life integration, over long-term aspirations.
- **Involuntary Turnover:** The increase in involuntary turnover from 6.7% in 2022 to 9.3% in 2024 signals challenges in hiring, onboarding, or performance management process and underscores the importance of refining these systems.

First-Year Turnover Reasons for Leaving



## The Impact of First-Year Turnover on Overall Attrition

The fact that 40% of overall turnover occurs within the first year highlights the disproportionate impact of this category. Organizations that address first-year turnover experience significant improvements in overall retention rates. Retaining new hires through their first year also builds a foundation for long-term engagement and allows organizations to recoup their investments in recruitment, training, and onboarding.

## Actionable Solutions to Reduce First-Year Turnover

Address the unique challenges faced by new employees through tailored strategies, and mitigate first-year turnover.

- **Continuous Feedback Mechanisms:** Conduct stay interviews at 30, 60, and 90 days to identify and resolve concerns before they escalate. Early feedback allows organizations to respond to issues in real time and improve new hire satisfaction and engagement.
- **Comprehensive Onboarding Programs:** Move beyond basic orientation to create structured onboarding processes that include mentorship, regular check-ins, and clearly defined performance expectations during the critical first 90 days.
- **Effective Recruitment and Selection:** Ensure candidates understand the role, provide a realistic job preview, and articulate the schedule requirements.
- **Manager Development:** Equip managers with tools and training to support new employees effectively. Managers should provide clear direction, consistent communication, and positive reinforcement to foster engagement.
- **Flexible Work Arrangements:** Offer remote or hybrid options where possible to address the Work-Life Balance concerns that disproportionately affect first-year employees and contribute to early departures.
- **Tailored Benefits for Personal Needs:** Provide resources such as mental health support, family leave, and childcare assistance to help new employees balance their personal and professional lives.

## The Bottom Line: Retaining First-Year Employees is a Strategic Imperative

First-year employees represent a critical investment in the future of the organization. First-year employee retention not only reduces costs but also enhances team stability, organizational culture, and long-term performance. Organizations that fail to prioritize first-year retention risk perpetuating a costly turnover cycle and damage to the employer's brand. Those that succeed lay the foundation for a more engaged, loyal, and productive workforce.

Organizations significantly reduce first-year turnover through targeted onboarding, robust managerial support, and continuous improvement in the core drivers of turnover. Proactive engagement during this period transforms first-year hires into long-term contributors and ensures every hire delivers value and strengthens the organization. Set the foundation of high retention through the reduction of new hire turnover.

# Truth: Health & Family Concerns Cannot be Ignored as a Growing Driver of Employee Turnover

Only 8% of leaders Strongly Agree their exit interviews reveal the true reasons employees quit.

Health & Family concerns are essential to workforce retention strategies and are no longer peripheral issues for employers. In 2024, 13% of employee departures were attributed to Health & Family challenges and reflects the growing significance of personal well-being and caregiving responsibilities in employees' decisions to stay or leave. Organizations that proactively address these concerns through flexible policies, supportive leadership, and comprehensive benefits reduce turnover and foster an engaged and resilient workforce.

## The Rising Impact of Health & Family Concerns

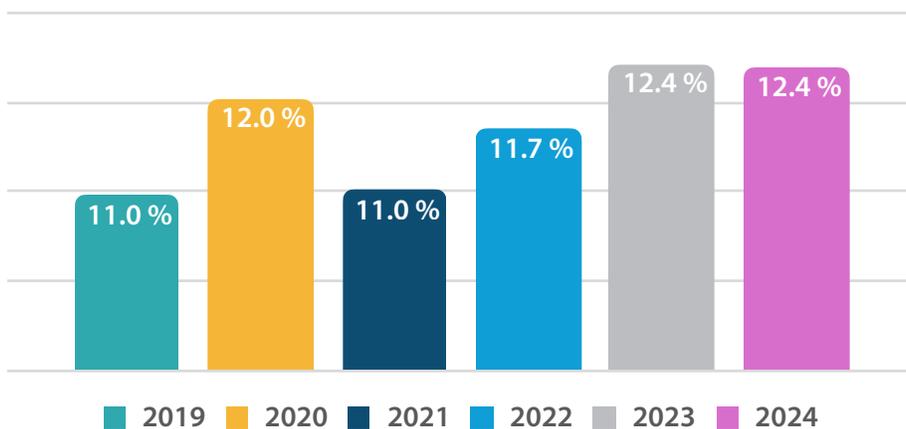
The increasing prevalence of Health & Family-related turnover aligns with broader societal and cultural shifts toward prioritizing work-life integration and personal well-being. These shifts are driven by several key factors:

- **The Aging Population and Dual Caregiving Pressures:** As the population ages, more employees find themselves juggling responsibilities for both children and elderly family members. These dual caregiving roles create immense strain, especially in workplaces that lack flexibility or adequate support.

- **The Mental Health Revolution:** A heightened focus on mental health and well-being has led employees to demand workplaces that actively address stress, burnout, and mental health challenges. Insufficient support in these areas often pushes employees to seek roles with better accommodation.
- **The Legacy of the Pandemic:** The COVID-19 pandemic fundamentally reshaped employee expectations around Health & Family. Remote work, hybrid arrangements, and attention to overall employee wellness are now baseline expectations for many employees.
- **Evolving Employee Expectations:** Younger workers, who make up a growing share of the workforce, increasingly value organizational cultures that recognize employees as whole individuals with personal lives and responsibilities.

Work Institute's findings demonstrate a consistent upward trend in Health & Family-related turnover which increased to 12.4% in 2024. This increase underscores the need for organizations to treat Health & Family concerns not as isolated issues but as fundamental components of their retention strategies.

## Health & Family Reasons for Leaving Trend



**Subtheme Analysis: Understand Health & Family-Related Turnover**

A deeper dive into the subthemes within Health & Family-related turnover reveals actionable insights for employers:

- **Caregiving Responsibilities:** Employees frequently cite inadequate family leave policies and rigid scheduling as barriers to manage caregiving obligations. This is especially critical for employees with young children and/or aging parents.
- **Mental and Physical Health:** Many employees leave roles due to a lack of mental health resources, unsupportive workplace conditions, or jobs that exacerbate stress and physical exhaustion.
- **Inflexible Work Policies:** Rigid schedules remain a significant obstacle for employees navigating personal emergencies or caregiving demands. Flexibility is a recurring theme in turnover related to Health & Family issues.

**Solutions to Address Health & Family Concerns**

Organizations that deliberately address Health & Family concerns gain a competitive stand to gain a competitive edge in both retention and employee engagement. Here's how:

- **Expand Caregiver Benefits:** Offer resources such as childcare subsidies, eldercare assistance, caregiver leave, and flexible paid time off for family emergencies. Supporting caregivers fosters loyalty and trust among employees.
- **Enhance Mental and Physical Health Programs:** Invest in Employee Assistance Programs (EAPs), on-site or virtual mental health counseling, wellness stipends, and preventative health resources. Promote these offerings to ensure employees are aware of and utilize them.

- **Promote Workplace Flexibility:** Provide remote work options, hybrid schedules, and adaptable hours to help employees balance personal and professional responsibilities. Flexibility is not a perk; it is an essential strategy to address Health & Family challenges.
- **Train Managers to Lead with Empathy:** Equip leaders to identify and address Health & Family concerns proactively. Managers who demonstrate empathy and problem-solving skills foster trust and engagement.
- **Gather Feedback Regularly:** Use stay interviews, pulse surveys, and one-on-one discussions to continuously gauge employee concerns related to Health & Family. This feedback enables organizations to refine their offerings and remain responsive to emerging workforce.

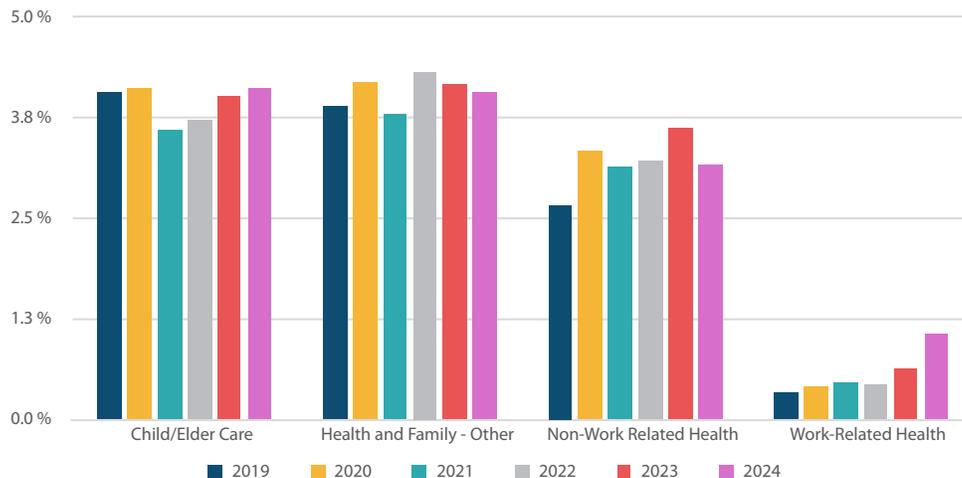
**The Bottom Line: Employers Must Focus on Supporting the Whole Employee**

Health & Family issues are not standalone drivers of turnover—they are deeply interconnected with broader workplace factors such as flexibility, management support, and workplace culture. Employees increasingly expect organizations to support them as whole individuals, acknowledging their personal and professional lives as equally important.

Organizations that meet these expectations reduce turnover and strengthen their culture. By investing in policies and programs that address Health & Family needs, employers demonstrate their commitment to their workforce, building trust and loyalty in the process. This is not simply a matter of retention—it is a strategic imperative for long-term success.

The findings are clear: as Health & Family concerns grow, organizations risk the loss of top-talent to competitors that offer more comprehensive support. The solution is straightforward but requires organizational commitment. Organizations that put employees' well-being at the center of their retention strategy will not only retain their workforce but create a culture where employees thrive.

**Health & Family Subthemes: Reasons for Leaving Trend**



# Truth: Pay Is a Signal, Not a Solution to Reduce Turnover

54% of leaders believe that compensation is effective at retaining employees.

Conventional wisdom suggests that employees quit primarily for better pay. However, extensive research from Work Institute and others reveal a more nuanced truth. While pay may be a significant sub theme in turnover data, it is rarely the root cause of most employee departures. Instead, pay concerns often signal deeper, unresolved issues within an organization’s culture, management practices, or opportunities for growth. Organizations often have a blind spot to the conditions that drive employee dissatisfaction when they focus solely on pay as a retention strategy.

## The Misconception of Pay as the Primary Driver

Managers frequently cite pay as the reason for employee turnover because it provides an easy explanation and shifts responsibility away from organizational shortcomings. However, exit interviews and turnover analysis tell a different story. Work Institute’s findings consistently shows categories such as Career (18%), Work-Life Balance (11%), and Management (10%) account for the majority of turnover reasons. Pay, while a factor, often ranks lower and typically accounts for a smaller percentage of turnover than managers assume.

This disconnect arises because pay is tangible, easily quantifiable, and the most visible reason when employees leave. Yet, in many cases, employees seeking higher compensation are reacting to unmet expectations in other areas, such as insufficient career progression, poor management support, or a lack of Work-Life Balance.

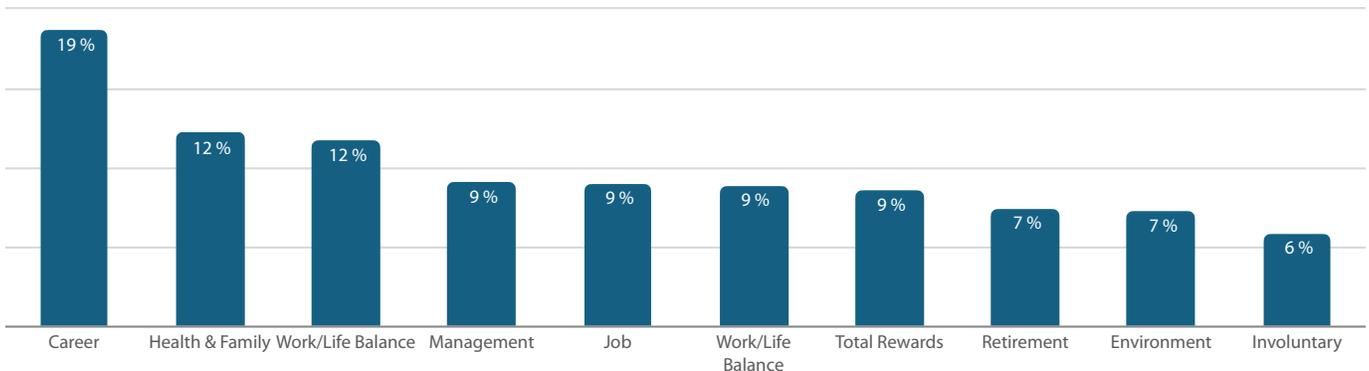
## Understand Pay as a Contributing Factor

Pay often functions as a contributing factor within broader turnover considerations.

For example:

- **Career Growth and Pay:** Pay increases feel unattainable without career progression. Employees frustrated by a lack of advancement opportunities may cite pay as a Reason for Leaving, but the underlying issue is stagnant career development.
- **Work-Life Balance and Pay:** Employees who struggle with Work-Life Balance may perceive pay as inadequate compensation for the demands placed on them, especially in high-stress roles without flexibility.
- **Management and Pay:** Poor leadership can exacerbate dissatisfaction with pay. Employees may feel under appreciated or undervalued when managers fail to recognize or reward their contributions effectively.
- **Increased Responsibilities:** Staffing issues often create job creep or role overload that lead employees to feel undervalued and underpaid.

Reasons for Leaving Categories  
5-Year Average



## The Root Cause of Turnover Lies Beyond Pay

Organizations that solely focus on pay as the primary driver of turnover ignore the systemic conditions that lead to dissatisfaction. Addressing pay disparities without addressing root causes such as career stagnation, toxic workplace environments, or poor communication only offers a short-term solution and increases costs. Employees may stay temporarily for better pay but will ultimately leave if underlying issues are not resolved.

### Look Beyond Pay

While competitive pay is essential to attract and retain talent, it is not a standalone solution. Employees want meaningful work, opportunities for growth, supportive managers, and a healthy Work-Life Balance. Organizations that focus on these broader categories and holistically address employee needs are more likely to retain talent over the long term.

#### Actionable Solutions to Address Pay-Related Turnover

- **Address Root Causes:** Use exit and stay interviews to identify underlying dissatisfaction and systemic issues. Look beyond pay to understand what drives employees to consider leaving.
- **Provide Transparent Career Paths:** Show employees how they can grow within the organization and how pay aligns with their progression.

- **Recognize and Reward Contributions:** Ensure that managers are trained to provide regular, meaningful recognition of employee efforts. Fair pay should be paired with a culture of appreciation.
- **Benchmark Competitively:** While pay is not the root cause of most turnover, non-competitive salaries amplify dissatisfaction in other areas. Regularly benchmark pay against industry standards to remain attractive in the market.
- **Communicate Total Rewards:** Highlight the full scope of benefits, including health, retirement, flexibility, and professional development opportunities. Employees who understand the total value of their compensation are less likely to focus solely on base pay.

## The Bottom Line: Pay Concerns Require a Broader Perspective on Retention

Pay is a critical component of employee satisfaction but should be viewed as one piece of the larger puzzle. Organizations that go beyond pay to address career development, workplace flexibility, and leadership effectiveness are better equipped to reduce turnover and foster long-term employee loyalty. The truth is simple: retention efforts must address the full spectrum of employee needs, not just their paychecks.

Total Rewards Reason for Leaving Trend



# Truth: Remote and Hybrid Work is a Transformative Workplace Practice and Here to Stay

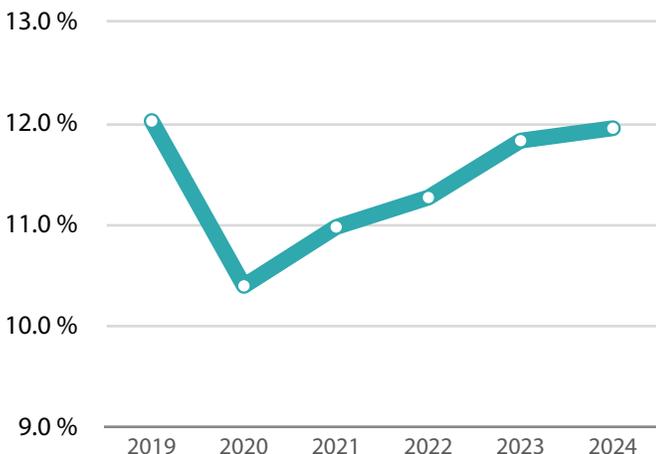
50% of leaders have up to ¼ of their workforce working remotely.

The rise of remote and hybrid work arrangements represents a fundamental shift in workplace dynamics and redefines how, where, and when work gets done. Accelerated by the COVID-19 pandemic, these models evolved into sustainable practices that many employees now expect. While remote and hybrid work offer transformative benefits, it is important to acknowledge that not all roles can transition to these arrangements. Industries such as construction, hospitality, manufacturing, and many healthcare roles require physical presence to perform essential functions. This distinction underscores the diverse needs of the workforce and the necessity for tailored workplace strategies.

## The Enduring Appeal of Flexibility

Flexibility is now a cornerstone of employee expectations, particularly in roles where it is feasible. Work-Life Balance, cited as a turnover driver by 12% of employees in 2024 (up from 10.4% in 2020), reflects the growing demand for adaptable work arrangements. Remote and hybrid models meet this demand by allowing employees to integrate their personal and professional lives while maintaining productivity.

Work-Life Balance Reasons for Leaving Trend



Research shows flexibility enhances employee satisfaction and engagement. A 2023 McKinsey study found that 87% of employees prefer some form of remote work, with hybrid arrangements emerging as the most desired model. Younger workers in particular view flexibility as essential to employment which further cements its role in the future of work.

## Organizational Benefits of Remote and Hybrid Work

Organizations that embrace remote and hybrid work gain a competitive edge, especially in attraction and retention of top talent in roles where these arrangements are possible. Benefits include:

- **Expanded Talent Pool:** Organizations can recruit from broader geographies, enhancing innovation, niche talent, or skill sets that are unavailable in a particular market.
- **Increased Productivity:** Studies indicate remote workers often perform better due to fewer distractions and greater control over their environments.
- **Cost Savings:** Reduced office space needs and lower commuting costs benefit both employers and employees.
- **Sustainability Gains:** Fewer commutes reduce carbon footprints and align with environmental goals.

## The Bottom Line: A Transformative Future

Remote and hybrid work redefined workplace norms and expectations and are an enduring part of modern employment where applicable. While these models are transformative for many industries like roles in construction, hospitality, manufacturing, and healthcare often require on-site presence and demonstrate flexibility in the workplace must be context-specific. Organizations that embrace this balance—offering flexibility where feasible and supporting in-person roles with innovative strategies—will attract and retain top talent, drive productivity, and foster innovation.

As flexibility continues to shape the future of work, businesses must navigate its opportunities and challenges to create workplaces that meet the diverse needs of the modern workforce. Success lies in adopting thoughtful and inclusive policies to accommodate both remote and on-site realities to ensure all employees thrive.

12% of leaders believe that they will change their remote work policies in 2025.

# The Path to Higher Retention: Transform Data into Action

Only 11% of HR leaders Strongly Agree that their organization is effective at taking actions on employee feedback.

High retention is the result of a deliberate, evidence-based approach that prioritizes understanding, engagement, action and accountability. The truth about employee retention is both simple and challenging: organizations must look inward, confront uncomfortable truths, and move beyond reactive measures to address the systemic issues that drive turnover. Work Institute's research consistently demonstrates high retention is possible when organizations invest in their employees, listen deeply, and act meaningfully.

## Understanding Turnover: The Foundation for Change

Retention begins with understanding the real reasons why employees leave. Work Institute's methodology reveals actionable insights instead of relying on surface-level explanations like "pay." For too long, organizations misdiagnose turnover with oversimplified narratives, such as more money or better opportunities. These misconceptions mask the deeper drivers of dissatisfaction, such as poor management, lack of career development, or insufficient Work-Life Balance.

Employers must embrace the complexity of turnover. Categories such as Career, Work-Life Balance, Management, and Health & Family are not isolated because they interact and compound one another. For example, a lack of career growth may amplify dissatisfaction with pay, or poor management may heighten Work-Life Balance frustrations. Understand these intersections to craft targeted and effective retention strategies.

## Ask and Listen to Employees: The Power of Feedback

Employees consistently offer valuable insights into their experiences, motivations, and concerns when employers are willing to listen. Exit and stay interviews are critical tools to gather actionable feedback, but they must be used proactively. Conduct stay interviews at regular intervals (e.g., 30, 60, and 90 days for new hires or at least annually for tenured employees) to uncover potential issues before they escalate into turnover.

Even more important is to act on this feedback to make improvements. Employees lose trust in organizations that collect their input but fail to implement meaningful changes. Closing the feedback loop by communicating how insights drive improvements, strengthen engagement, and reinforce employees' sense of value.

## Key Pillars of High Retention

- **Career Development:** Career remains the leading driver of turnover because the majority of employees crave growth, alignment, and a sense of purpose. High-retention organizations provide transparent career pathways, mentorship programs, and robust training opportunities that allow employees to see a future within the company.
- **Managerial Excellence:** Managers are the linchpin of retention. Work Institute's research reveals that manager effectiveness is predictive of six of our 11 categories as to why employees quit. Stating that employees leave managers, not companies, is an oversimplification but findings confirm management-related turnover continues to rise. Organizations must prioritize leadership development to ensure managers have the skills to support, communicate, and inspire their teams.
- **Flexibility and Well-Being:** The demand for flexibility is not a trend, but a fundamental shift in workforce expectations. Remote and hybrid work options, flexible schedules, and comprehensive wellness programs address the personal and professional needs of employees. This allows organizations to reduce turnover in categories such as Work-Life Balance and Health & Family.
- **Recognition and Fair Pay:** While pay is rarely the root cause of turnover, it remains a vital component of employee satisfaction. High-retention organizations offer competitive compensation, paired with meaningful recognition and rewards, to show employees they are valued beyond their paycheck.
- **Tailored Interventions:** One-size-fits-all retention strategies rarely succeed. High-retention organizations analyze turnover trends and employee feedback to design tailored solutions that address specific challenges within departments, roles, or demographics.

## Move from Reactive to Proactive

A reactive approach to retention is costly and ineffective. High-retention organizations adopt a proactive mindset, using data to anticipate risks and implement proactive strategies to address them before employees consider leaving. Predictive analytics gleaned with the insights from stay and exit interviews, enables organizations to identify warning signs and take early action.

## Accountability and Action

Retention is a shared responsibility between leadership, managers, and the organization as a whole. High retention requires a culture that values employee feedback, prioritizes continuous improvement, and holds leaders accountable to address turnover drivers. Employers must challenge themselves to meet higher standards. Both the organization and the employees have a shared responsibility for success. Ask not what employees can do for the company, but also what the company can do to support its employees.

## The Opportunity Ahead

The path to high retention is challenging, but it is also an unparalleled opportunity. Organizations that invest in retention strategies reap significant rewards: improved shareholder value via lower costs, higher engagement, better productivity and, therefore, profitability. High retention is not a mystery. It is the outcome when organizations listen to their employees, act on what they hear, and hold themselves accountable to build the workplaces where people want to stay.

Work Institute's research underscores the critical Truth retention is a choice. The question is not whether organizations can achieve high retention, but whether they are willing to make the necessary investments and changes to get there. The path is clear—what remains is the will to walk it.



## About the Data

The data utilized for this *2025 Retention Report* is considered the most comprehensive and accurate reflection of departing employee's Reasons for Leaving and perceptions of their former employer in the U.S. Over 90% of the exit interview data was collected after the employee left their employer and by an objective third-party (Work Institute).

From 2019 to 2024 Work Institute conducted 123,297 exit interviews with the 2024 specific Reasons for Leaving made up of 14,215 interviews.

The data set includes a statistically significant number of interview demographics to include sex, ethnicity, age, and hourly/salary employees.

Exit interviews were conducted with over 175 companies ranging in industries to include Healthcare and Hospitals, Pharmaceuticals and Medical Devices, Insurance and Financial Services, Manufacturing and Industrial, Retail and Consumer Goods, Education, Transportation and Logistics, Technology and Consulting, Non-Profit and Philanthropy, Utilities and Energy, Facilities Management, and Hospitality and Leisure.

## About the Survey

Between December 1, 2024, and January 15, 2025, Work Institute surveyed 88 HR and operational leaders to gain deeper insights into employee retention strategies and challenges. Participants included senior and mid-level HR professionals, as well as operational leaders from a wide range of industries, including healthcare, manufacturing, construction, transportation, and finance, among others. Their feedback provides a comprehensive look at how organizations approach retention in today's evolving workplace.

## Authors

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

**William Mahan:** William is the Director of Marketing & Sales Operations for Work Institute where he focuses on inbound and outbound marketing efforts since 2010 including lead generation, content development, SEO, advertising, website management, and customer relationship management. William's experience and knowledge in content development and leadership development give him the tools necessary to help create and promote the annual *Retention Report*.

**Greg Freeze:** Greg is a seasoned Human Resources leader with over twenty-five years of experience in HR strategy, talent development, and operational leadership. He has guided organizations through acquisitions, process improvements, and leadership development initiatives across Financial Services, Restaurant, and Retail industries.

Greg has managed HR strategy and functions for companies of all sizes, overseeing staffing, compensation, benefits, payroll, and workforce planning. He has deep experience in policy development, mergers and acquisitions, HR compliance and employee relations.

Greg thrives on aligning HR practices with business objectives, building strong teams, and driving organizational growth. He is currently a Senior Consultant with Work Institute.

## About Work Institute

Established in 2000, Work Institute is the leader in employee retention programs, employee engagement strategies and workplace solutions.

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

Our workplace experts help companies reduce employee turnover, boost employee engagement, and develop a thriving workforce using evidence-based actionable insights.

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

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

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

