Outsmart.
Outperform.

Visier Insights™ Report: Retaining Millennials

In this Visier Insights™ research report, we look specifically at what is happening with resignations and internal hiring of Millennials, identifying some key new insights for employers.

Stereotypes about generations have existed since well before the first Baby Boomer was born, and for the Millennial generation, that now makes up the largest share of the US workforce[1], there's no shortage of sweeping assumptions.

Millennials bear a spectrum of generalizations—some positive, some negative. By turns, they are characterized as disloyal, entitled, and lazy—but also as more tech savvy, socially responsible, and environmentally conscious. But many of these assumptions—if they're not simply based on anecdotal evidence—come from surveys that rely on self-reporting. The problem? People are notoriously inaccurate when self-reporting—not only about their past experiences[2], but also their future intentions[3].

In this Visier Insights™ research report, we leverage an aggregated database of 1.5 Million US-based employees from over 60 companies (a subset of the overall Visier Insights database) to look specifically at what is happening with resignations and internal hiring of Millennials, identifying some key new insights for employers. For this report, we divide workers into two groups: Millennials (those born in 1983 or later) and Non-Millennials (those born in 1982 or before).

1 Millennials surpass Gen Xers as the largest generation in U.S. labor force, Pew Research Center, 2015
2 Schwarz, N. & Sudman, S. (1994). Autobiographical memory and the validity of retrospective reports. New York: Springer Verlag.
3 On the psychology of self-prediction: Consideration of situational barriers to intended actions, Judgment and Decision Making, Vol. 9, No. 3, May 2014 pp 207-225 Connie S. K. Poon, Derek J. Koehler, Roger Buehler

Comparing Millennials with Non-Millennials, Accurately

The Visier Insights database confirms the well-accepted view that Millennials resign[4] more often than Non-Millennials. In the year 2016, looking across all workers, Millennials resigned three times as often as Non-Millennials (29.1% compared to only 9.2%). See Figure 1.

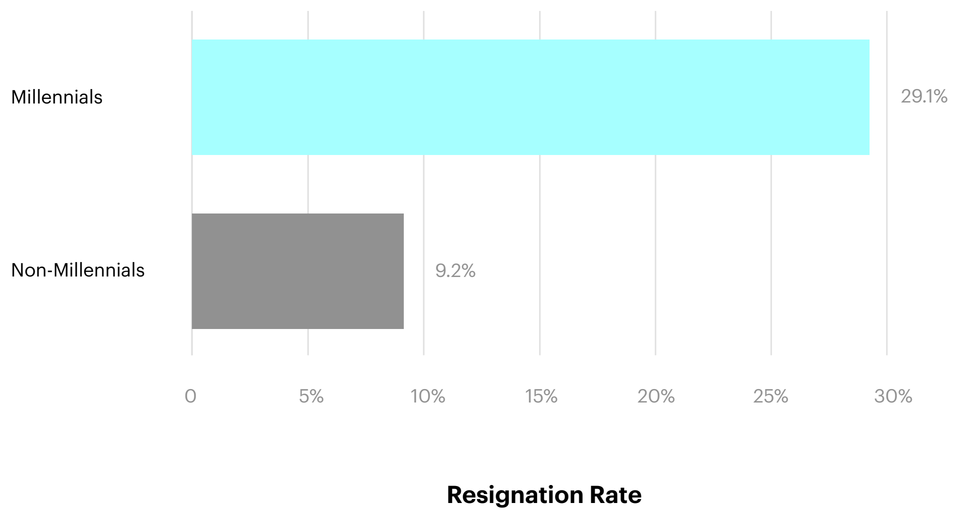

Figure 1: In a 12-month period, the resignation rate for Millennials was 29.1%, compared to only 9.2% for Non-Millennials.

However, this comparison is biased towards a higher resignation rate for Millennials. A key difference between Millennials and Non-Millennials is their average tenure[5] at a company. Since tenure is correlated to age (tenure increases with age), and resignation rates are correlated to tenure (resignation rates decrease with tenure), this difference has an impact. See Figure 2.

4 A resignation is defined as the voluntary departure of an employee for reasons other than retirement.
5 Tenure is defined as the amount of time an individual has been employed at a company.

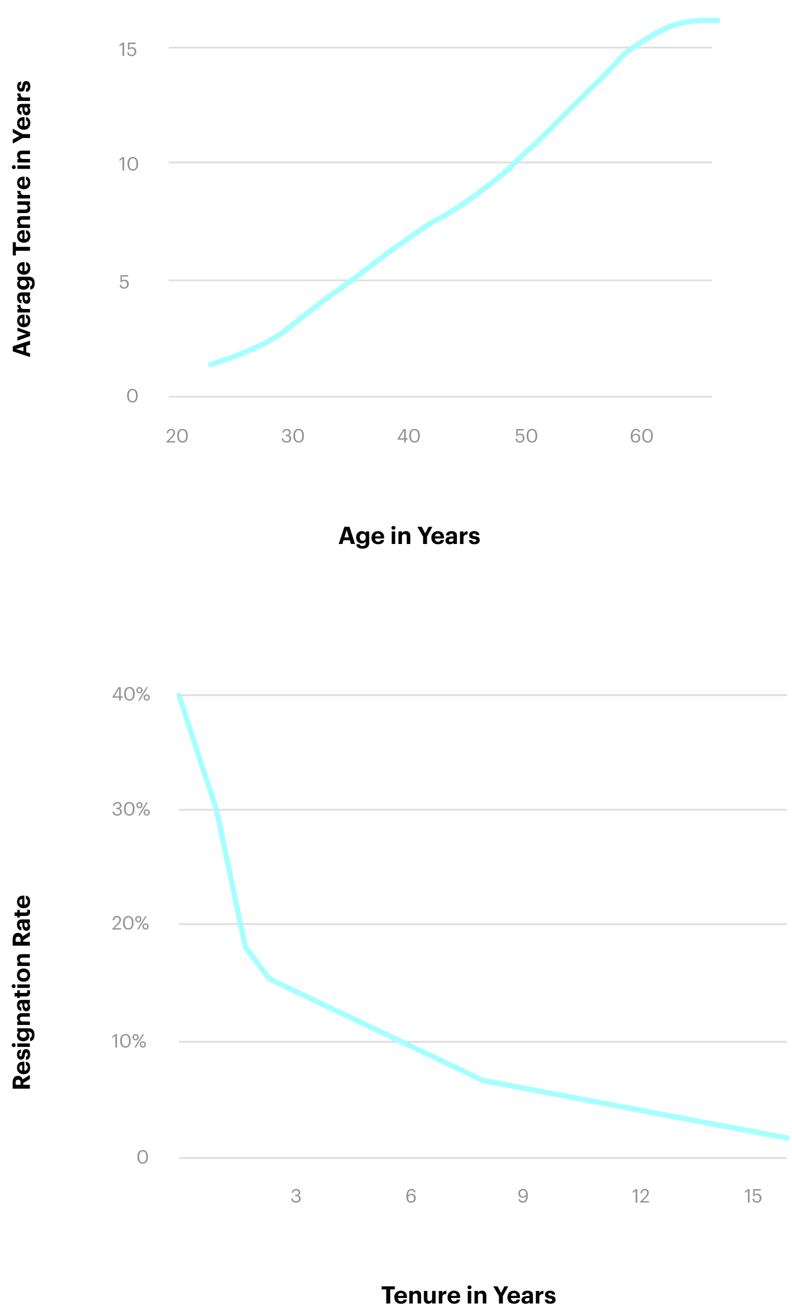

Figure 2: (Top) The average tenure increases linearly with employee age. (Bottom) The resignation rate decreases with increasing tenure.

Comparing Generations

Comparing generations can be tricky. Increasing age impacts the decisions and standing of workers. For instance, we show in this study how average tenure depends on age and how tenure impacts resignation rates. To remove this bias of Millennials having a lower average tenure than Non-Millennials from the data, we restricted large parts of the study to low-tenured employees.

Generational comparisons can be designed in a different way to avoid the impact of age. For instance, compare Millennials in the age range 20 to 35 with Gen-Xers when they were age 20 to 35, and with Baby Boomers when they were in same age range. However, this approach has its own drawbacks: economic cycles through growth and recession periods are bound to have dominant impacts on employment and HR measures. The socio-economic situation and corporate policies in the 1960s were different from today, making an age-independent comparison of the generations difficult.

Therefore, a more accurate and meaningful comparison of the resignation rates of Millennials and Non-Millennials must take tenure into account.

To decrease the tenure bias, we reduced the population analyzed to workers with less than 4 years of tenure. In doing so, we found:

Millennials resign nearly 2 times as often as Non-Millennials with comparable tenure (34.5 percent compared to 19.4 percent).

See Figure 3.

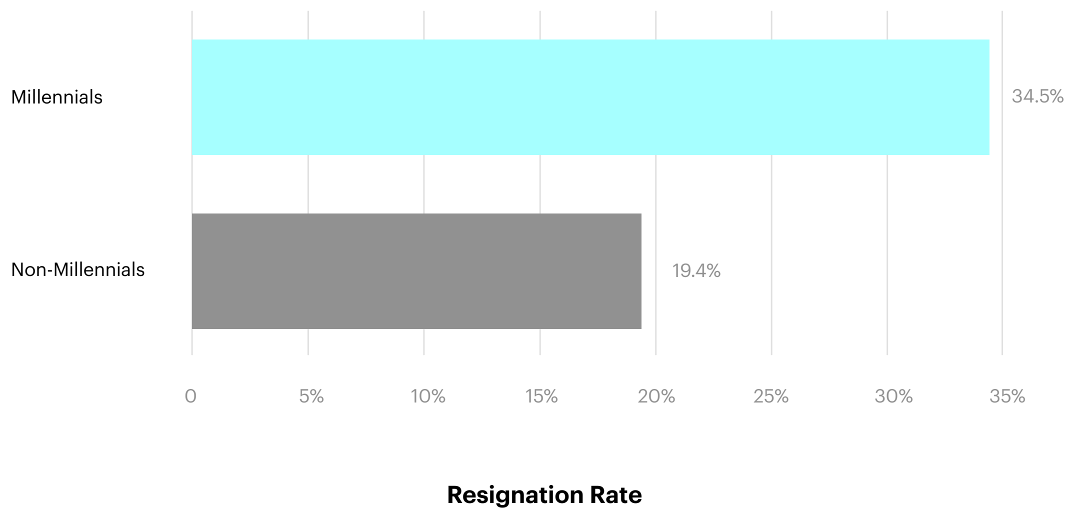

Figure 3: For employees with less than four years tenure, in a 12-month period, the resignation rate for Millennials was 34.5%, compared to 19.4% for Non-Millennials.

The Manager Effect

Analyzing this population of employees with less than 4 years of tenure, we found an interesting nuance, which could provide a key to helping employers reduce resignation rates of key Millennial employees:

Millennials who are managers resign two-thirds less often than Millennials who are not managers, with a 11.9 percent resignation rate compared to 36.2 percent.

This Manager Effect is greatest for, but not limited to, the younger generation: Non-Millennial managers also resign at a lower rate than their non-manager counterparts—about half as often, with a 8.8 percent resignation rate compared to 21.7 percent. See Figure 4.

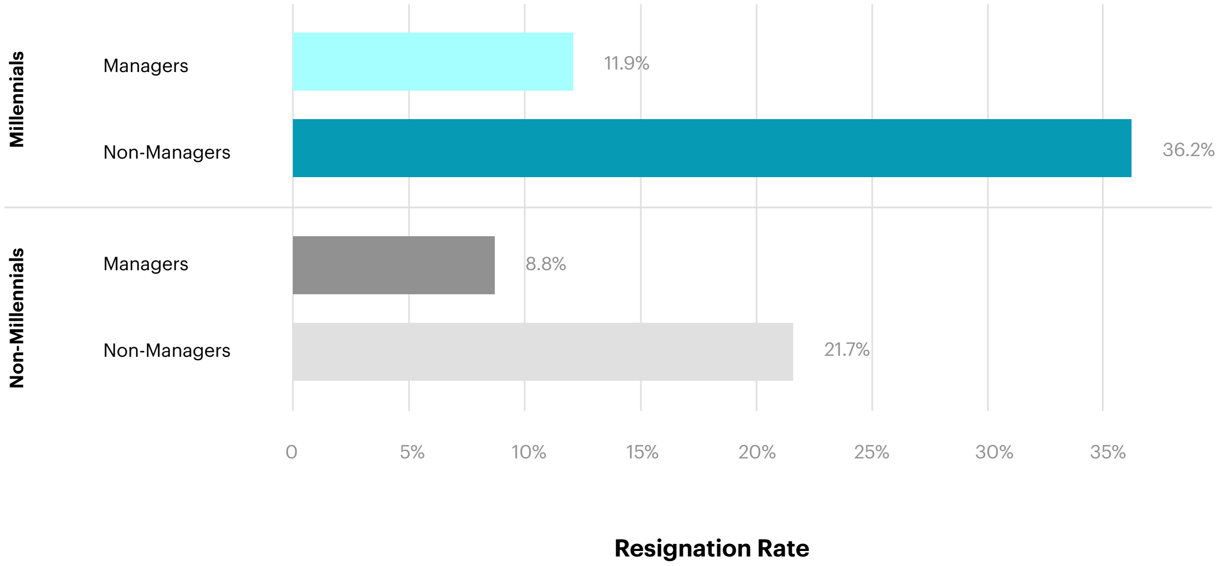

Figure 4: Millennial managers resign two-thirds less often than Millennial non-managers. Comparatively, Non-Millennial managers resign about half as often as Non-Millennials who aren't managers.

The Promotion Effect

Overall Millennial managers resign at lower rates than Millennial non-managers. However, there is a caveat: the resignation rate for Millennial managers increases significantly if they are not promoted.

To meaningfully compare the impact of promotions on Millennial and Non-Millennial workers, we focused on the population of workers with between 2 and 4 years of tenure. This both removed the tenure bias (discussed above), and ensured all workers analyzed had adequate time at a company to receive a promotion.

We then measured resignation rates for workers who had not received a promotion since the start of their employment, and compared them to resignation rates for workers who had received a promotion within the previous 2 years. The resulting findings were clear:

Millennial managers who have not received a promotion leave at a rate that is 5.2 percentage points higher than average.

Comparatively, not receiving a promotion has a nominal impact on Non-Millennial managers, causing them to resign at a rate that is only 0.6 percentage points higher than average. While not receiving a promotion increases Millennial manager resignation rates, receiving a promotion helps retain Millennial managers:

Millennial managers who have received a promotion in the last 24 months have a resignation rate that is 3.1 percent lower than average.

Comparatively, receiving a promotion has a smaller impact on Non-Millennial managers, dropping their resignation rate by only 1.8 percent. Millennial non-managers resignation rates are also more impacted by promotions than Non-Millennial non-managers. However, the difference is smaller. See Figure 5.

The key for employers

Millennial managers expect more career growth, represented in promotions. Review top and critical talent, and look for stagnation in promotions. As well, consider putti-ng long-term incentives that would traditionally be available at higher pay grades (such as deferred cash payouts or restricted stock units) in place at lower levels of management as a step to retain less experienced yet valuable manager talent.

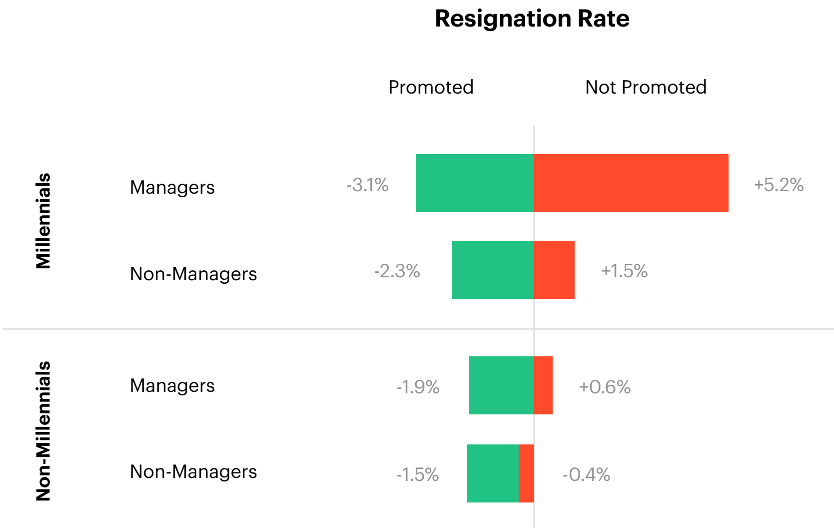

Figure 5: The absolute resignation rate difference between promoted and not promoted Millennial managers is 8.3 percentage points, compared to 2.5 for Non-Millennial managers; and the difference between promoted and not promoted Millennials non-managers is 3.8 percentage points, compared to 1.1 for Non-Millennials.[6]

Lack of promotion drives Millennial men to resign more than Millennial women

The difference between the resignation rates of male Millennials who have not been promoted and male Millennials who have been promoted is 4 percentage points, while the difference between the resignation rates of female Millennials who have not been promoted and female Millennials who have been promoted is 2.8 percentage points.

As a comparison, for Non-Millennials there is no meaningful gender impact: the difference between resignation rates for male and female Non-Millennials who have not been promoted and male and female Non- Millennials who have been promoted is 1.9 and 1.7 percentage points respectively. See Figure 6.

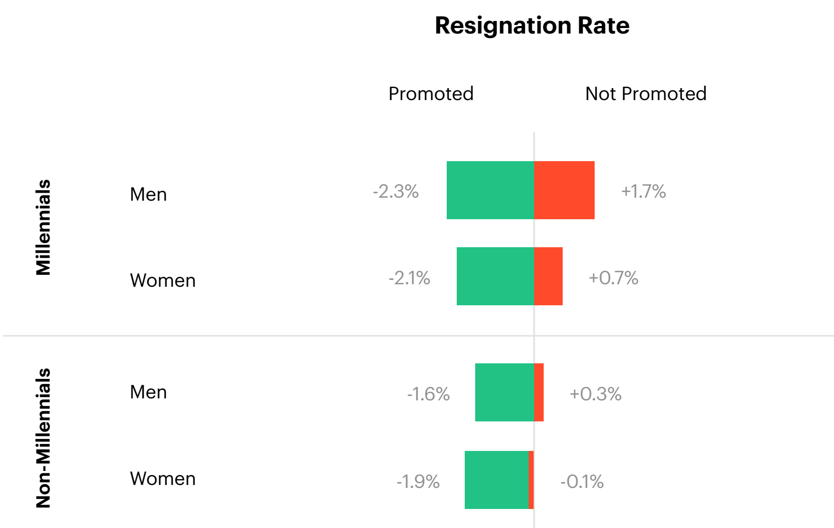

Figure 6: Lack of promotion drives Millennial men to resign more than Millennial women.[6]

6 Figures 5 and 6: A third group of workers, who received promotions more than 2 years ago, is not shown. The relatively small size of the group causes statistical uncertainty in their outcomes and does not add to the present analysis.

The New Hire Effect

While Millennials overall resign at higher rates than Non-Millennials, being a new hire—someone with less than one year of tenure at a company—has the same impact on Millennial resignation rates as it does on Non-Millennial resignation rates: 24 percentage points.

This indicates that workers of all ages are impacted by "newbie" issues, such as finding a new position doesn't meet their expectations, having a poor onboarding experience, or generally finding the company not to be a good culture fit. See Figure 7.

Figure 7: For both generation groups, new hires have resignation rates that are 24 percentage points higher than the average across all workers. For Millennials, new hires resign at a rate of 53 percent compared to 29 percent. For Non-Millennials, new hires resign at a rate of 33 percent compared to 9 percent.

However, looking closer, a detailed comparison by age reveals that there is an age dependence on new hire resignation rates:

Until around age 35, the new hire resignation rate decreases with increasing age, offset but following the same trend as the overall resignation rate. After age 35, the new hire resignation rate increases with age, while the overall resignation rate continues to drop.

See Figure 8.

This indicates that the challenges of integrating at a new workplace are more strongly felt by workers in their 50s and 60s, than those in their 30s and 40s.

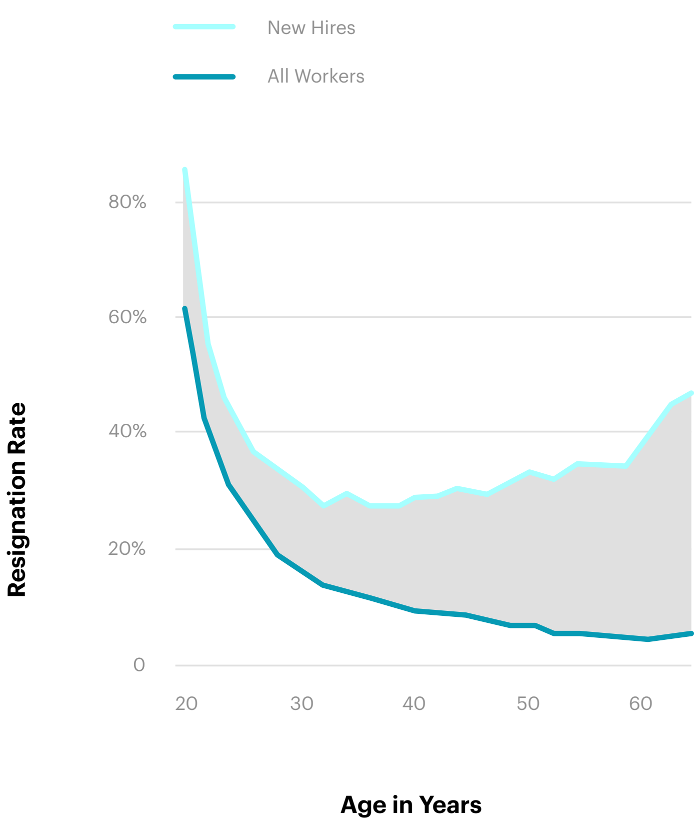

Figure 8: At every age, new hires resign at higher rates.

The key for employers

Any efforts to reduce unwanted turnover should include initiatives to improve retention of new hires. For example, consider implementing programs that help build social connections for new hires (lack of social connections at a company is often a key driver for new hire turnover). Inexpensive and effective programs include creating a buddy system (where a new hire is paired with a tenured employee) or creating a new hire cohort (where a group of new hires is created and encouraged to meet with each other). As well, measure the effectiveness of your onboarding programs and determine if there are key points at which new hire drop out is the highest.

Internal Mobility

Resignation rates measure the percent of employees who leave an organization voluntarily. However, another form of employee movement is important to consider: the internal movement referred to as internal hires[7]. And it impacts Millennials the most.

As with our resignation analysis, to decrease the tenure bias, we reduced the population analyzed to workers with less than 4 years of tenure. In doing so, we found:

Overall, Millennials change jobs within a company almost twice as often as Non-Millennials (22 percent compared to 12 percent).

See Figure 9.

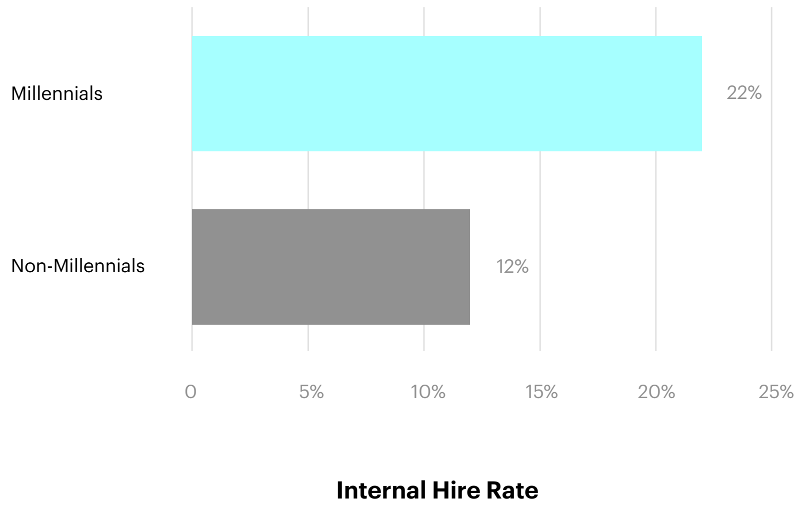

Figure 9: Millennials job hop internally almost two times as often as Non-Millennials.

7 An Internal Hire is a hiring event, identified by an employer, where a position is filled internally, by an existing employee.

The most internally mobile Millennials are managers:

Millennial managers have an internal hire rate that is 5 percentage points higher than non-managers (21 percent compared to 16 percent).

As a comparison, Non-Millennials managers have an internal movement rate that is 1 percent lower than non-managers (8 percent compared to 9 percent). See Figure 10.

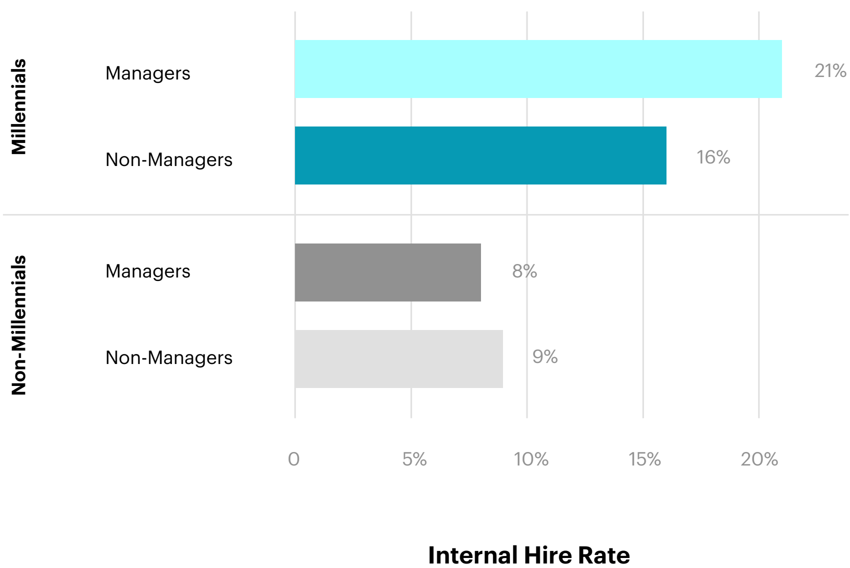

Figure 10: Millennial managers have an internal hire rate of 21 percent compared to 16 percent for Millennial non-managers.

We looked at this in more detail and found that Millennial managers start out more mobile than non-managers in their 20s, but their mobility decreases and falls in line with that of non-managers by their mid-30s. In the age range 45-55 internal movement for non-managers is actually higher than that of managers. See Figure 11.

This finding indicates that workers who are earlier in their careers—in particular managers—are more likely to experiment and "try out" more roles. As workers age and, therefore, gain experience, their internal mobility drops. In particular, managers become less mobile than non-managers, indicating they have found their "sweet spot" of management by the time they reach their mid-40s.

The younger the manager, the greater the likelihood that they will make an internal move.

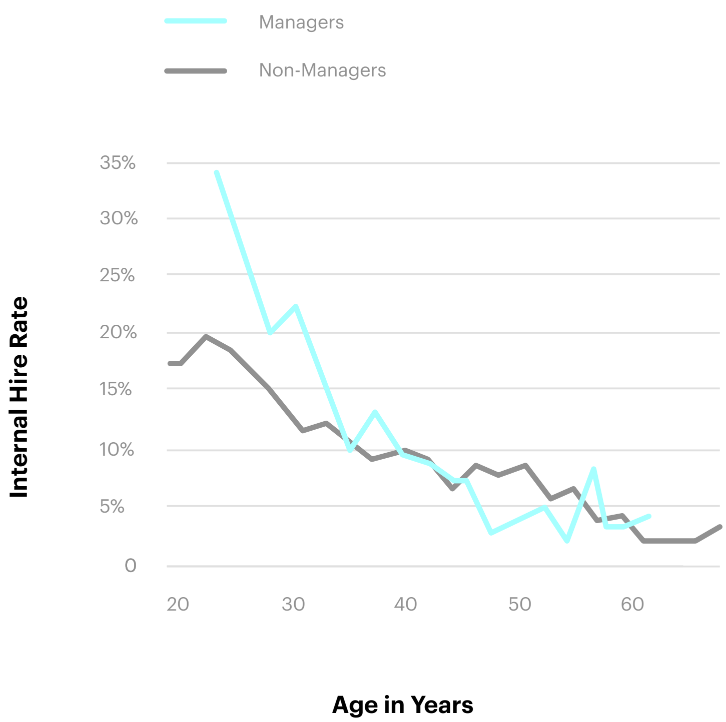

Figure 11: Manager internal hire rates decrease with age.

The key for employers

Some internal movement is essential to—and a measure of—the health of an organization. It helps to build stronger communication and collaboration networks across an organization, and can spur innovation and growth by allowing experience from different areas of a business to be leveraged in new ways. However, too much movement can be damaging to an organization's health. For instance, a team or department that has 20 to 30 percent movement in workers—as a result of internal hires, resignations, and new hires—may struggle to meet its goals, due to having too many newbies in place. Keep tabs on the internal and overall movement happening across your organization to identify where there are opportunities to increase it, or a need to reduce it.

The Relationship of Resignation and Internal Hire Rates

Comparing internal hiring rates with resignation rates uncovers an interesting finding:

For Millennials, managers resign at a lower rate and move internally at a higher rate than non-managers. For Non-Millennials, the difference is small.

See Figure 12.

The key for employers

Internal hire opportunities reduce resignations of Millennial managers. Therefore, one solution for reducing resignations of Millennial non-managers could be to look for more opportunities for internal movement. Consider how your organization leverages internal movement as a reward for top performers or critical talent. Implement programs that support Millennials in their desire to experiment with different roles, by providing opportunities for internal job hopping or shadowing.

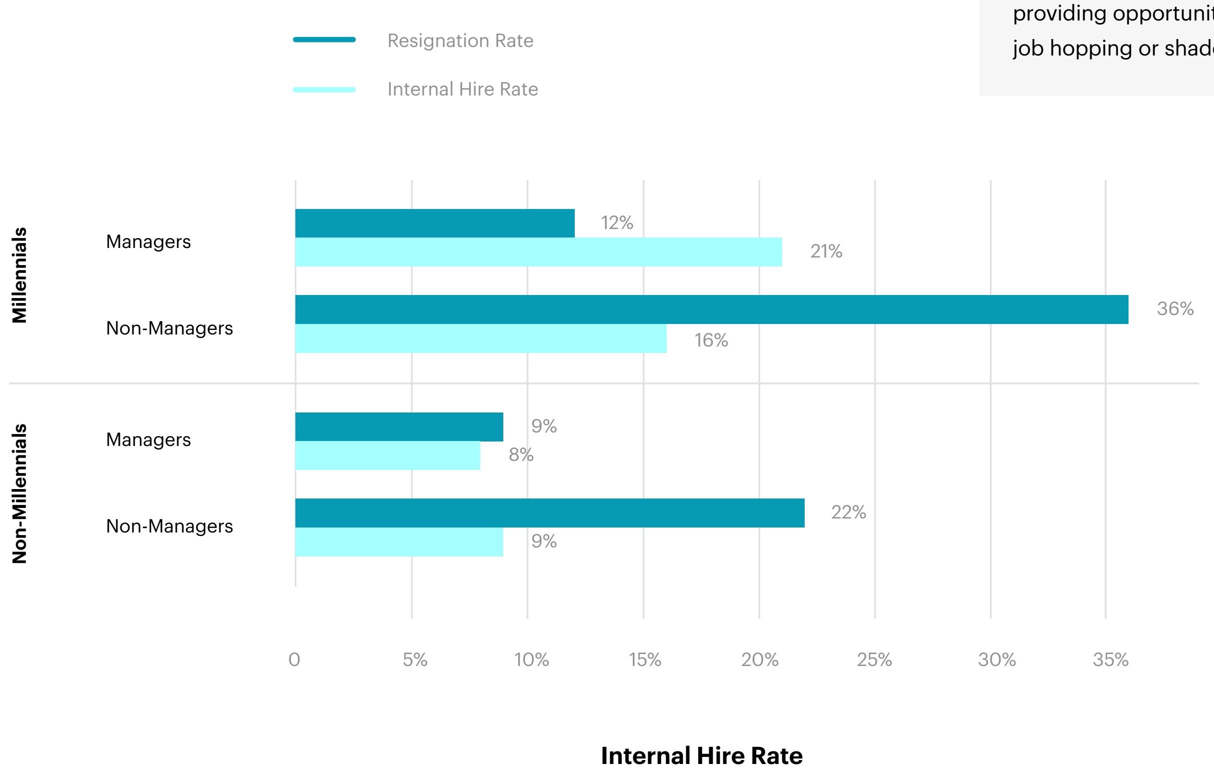

Figure 12: For Millennials, managers resign less, but move internally more, while non-managers resign more, but move internally less.

Gender Bias in Internal Mobility

In the Millennial group, more internal job hopping is being done by men than women:

While male and female Non-Millennials job hop internally at a similar rate (12.7 percent for men compared to 10.6 percent for women) , male Millennials move internally 1.5 times as often as female Millennials (25.5 percent for men compared to 17.3 percent for women).

See Figure 13.

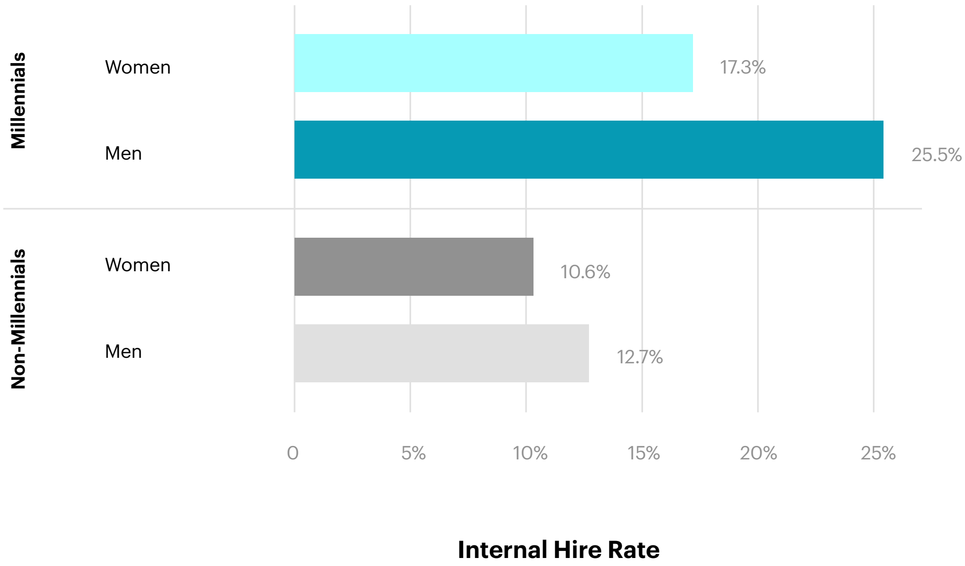

Figure 13: While male and female Non-Millennials job hop internally at a similar rate, male Millennials move internally 1.5 times as often as female Millennials.

However, when looking at Millennial managers in isolation, this gender difference disappears:

The internal hire rate for male and female Millennial managers is the same: 21 percent.

As a comparison, the internal hire rate for male and female Non-Millennial managers is 8 percent. See Figure 14.

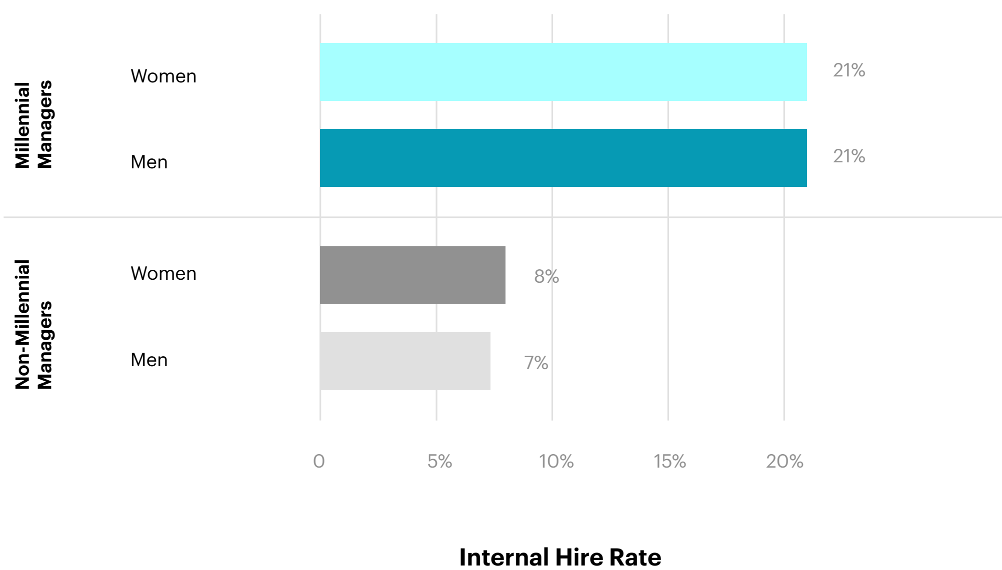

Figure 14: The internal hire rate for male and female Millennial managers is 21 percent, while the internal hire rate for male and female Non-Millennials managers is 8 percent.

In a previous research report, *Visier Insights: Gender Equity*, we identified the Manager Divide: a gender bias where women are increasingly underrepresented in manager roles during the key childcare years. This bias—or Motherhood Penalty—drives the gender wage gap because managers on average earn 2 times the salary of non-managers.

Just as women during the key childcare years are less likely to be given manager roles, Millennial women are less likely to be hired into new roles internally. Yet, for the Millennial women who overcome this bias by being promoted to manager roles, the benefits are not just higher earning potential (because managers earn on average 2 times the salary of non-managers), but also more opportunity for internal movement.

The key for employers

When looking across all workers—and in particular the Millennial population—there is gender bias in internal hiring in non-manager roles. Work to find out if this bias is happening in your organization. Are women not being considered as often as men for manager or internal hire candidates? At the same time, don't be complacent about your female manager population—overfocus on this area.

Retaining Millennials: Steps to Take in your Organization

Millennials resign nearly 2 times as often as Non-Millennials with comparable tenure. Our recommendation: don't fight the tide—work with it. When possible, promote your brightest prospects to management roles quickly so they are less likely to leave. Then give them plenty of places to move within your organization as they look for the right fit for their careers.

Key finding	Recommendations
Millennial managers who have not received a promotion leave at a rate that is 5.2 percentage points higher than average, while Millennial manages who have been promoted have a resignation rate that is 3.1 percentage points lower than average.	• Review top and critical talent, and look for stagnation in promotions. • Consider putting long-term incentives that would traditionally be available at higher pay grades in place at lower levels of management
Being a new hire — someone with less than one year of tenure at a company — has a comparable impact on Millennial resignation rates as it does on Non-Millennial resignation rates. Overall both rates increase by 24 percentage points. Nevertheless, age does play a role: the new hire resignation rate is increasing for employees in their 50s and 60s.	• Consider implementing programs that help build social connections for new hires, such as a buddy system or new hire cohort • Measure the effectiveness of onboarding programs and determine if there are key points at which new hire drop out is the highest • Take into account the evidence that the challenges of integrating at a new workplace are more strongly felt by workers in their 50s and 60s, than those in their 30s and 40s, and devise onboarding programs with this in mind
Overall, Millennials change jobs within a company almost twice as often as Non-Millennials, with Millennial managers moving the most.	• Keep tabs on the internal and overall movement happening across your organization to identify where there are opportunities to increase it, or a need to reduce it
For Millennials, managers resign at a lower rate and move internally at a higher rate than non-managers.	• Look for more opportunities for internal movement to reduce Millennial resignations • Leverage internal movement as a reward for top performers or critical talent • Implement programs that support Millennials in their desire to experiment with different roles
Overall, male Millennials move internally 1.5 times as often as female Millennials; however, male and female Millennial managers have the same internal hire rate.	• Work to find out if this bias is happening in your organization: are women not being considered as often as men as internal hire candidates?

Methodology

At the core of Visier Insights reports is Visier's unique database of anonymized, standardized workforce data. For this report we targeted large US-based employers, leveraging a subset of Visier's customer database, which included over 60 companies representing 1.5 Million US-based employees. See Figure 15.

Companies included in this report represent a wide range of industries, including Healthcare, Technology, Financial Services and Insurance, Energy, and Manufacturing. For each of the included companies, Visier ensured a high degree of confidence in both data availability and quality for the topics and time period being covered by the report.

In performing our data analysis, for each question we asked the answers came from an anonymized and aggregated view across all customers included in this study. We then ensured that, for each of the presented data points, no single company was overrepresented and could skew the final value. As well, we validated the confidence in our data results by analyzing results from our dataset compared to publicly available measures, such as those from the US Bureau of Labor Statistics (BLS) and the US Equal Opportunity Commission (EEOC).

Data security and privacy

Data security and privacy is Visier's top priority – learn more at trust.visier.com. Visier customers have agreed to have their data aggregated and used anonymously for this purpose.

When using customer data, Visier aggregates employee data across customers, restricting the data collected in such as way that the data is anonymous. At no time is personal identifying information for employees in the databases included – Visier's security technology prevents this data from being queried.

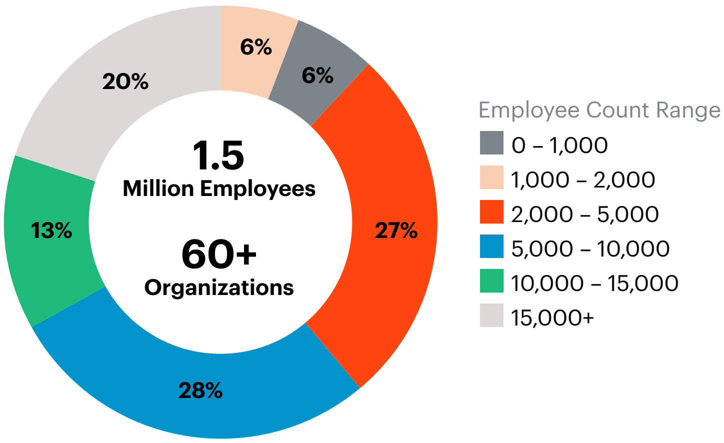

Figure 15: Breakdown of organizations included in this report by company size.

About Visier

Our curiosity, the desire to understand, is inseparable from what it means to be human. But, in the hype of big data analytics, we've forgotten that data does not equal knowledge.

Visier was founded to focus on what matters: answering the right business questions, even the ones you might not know to ask. Questions that shape business strategy, provide the impetus for taking action, and drive better business results.

Visier is dedicated to transforming business analytics, to providing leaders with clear answers to critical business questions—out-of-the-box, without the hassle and cost of data management, statements of work, and development projects.

Visier lets companies say goodbye to data headaches, to complexity, to costly tools, to endless service fees, and to guesswork. A business strategy platform designed by domain experts for business leaders, Visier lets leaders say hello to clarity, to confidence, to meaningful answers—and to better business performance.

For more information, visit www.visier.com.