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## New Study Shows High Turnover and Unclear Workforce Planning to be Obstacles for Talent Management

### 76% of executives see market for skilled employees tightening and 75% expect high turnover among Millennials

ROSELAND, NJ -- (Marketwired) -- 10/27/16 -- Although most companies prefer to groom existing employees as a way to fill open positions, high turnover and a lack of clear strategy are driving employers to hire external candidates, according to a new study commissioned by the ADP Research Institute<sup>®</sup> and conducted by The Economist Intelligence Unit<sup>®</sup> (EIU). The study, [\*Strategic Drift: How HR Plans for Change\*](#), finds that while employers understand the importance of strategic workforce planning (SWP), they do not agree on how to turn planning into tangible action. In addition, the combination of older employees staying in the workforce longer coupled with fewer corporate training programs being offered by employers is causing Millennials to switch jobs as a way to advance in their careers.

According to the [\*ADP National Employment Report\*](#)<sup>®</sup>, with the U.S. economy nearing full employment, companies are facing a confluence of staffing issues that reflect the changing nature of the labor market. Millennials are now the largest segment of the workforce and are also the generation that switches jobs most frequently. Seventy-five percent of respondents surveyed for the EIU report expect to see high turnover in the next 3 years, while 73 percent believe it will be the new normal. This new landscape stands to drive competition for talent, as 76 percent of employers agree that the market for skilled workers will continue to tighten.

Employers understand that this is shifting how they will do business and manage their employees, the report shows, and companies are divided on whether to focus on internal development or external recruitment. Twenty-eight percent of respondents cite recruiting highly-skilled employees as their top concern, while 25 percent say it is retaining experienced employees and 24 percent say their top concern is managing employee turnover. Executives predict that developing current employees will be a challenge, and despite a clear preference to advance internal candidates, hiring external applicants is often a more viable option.

Companies see that training is important to retaining their talent, but there is no evidence that they are investing to realize that need. "This situation sets up an interesting paradox where companies want to manage employee churn, but decreased investment in training is leading to employees seeking upward opportunities through switching jobs," said Dermot O'Brien, chief human resources officer, ADP. "As a result, organizations must take this into consideration when they engage in strategic workforce planning."

Although companies share concern about the present situation, there is little consensus on a path forward. More than three quarters of respondents consider SWP the greatest strategic challenge for their company, but there is a nearly even split as to what this term actually means. Thirty-six percent say that SWP is about retaining key people to avoid skills gaps, 33 percent say it is understanding what talent will be required in the future and how to find it, and another 33 percent believe it is recruiting new qualified people to plug existing skills gaps. Not only is there little consensus over what SWP means, there is disagreement over who actually owns this effort -- with 42 percent saying it lies with the CEO and board of directors, while 28 percent believe it is the responsibility of HR.

Without additional employee training budgets, companies continue to retain older employees who have the skills developed from a lifetime of work. Thirty-seven percent of respondents say their companies mitigate turnover by employing people past their normal retirement age. Older workers who would have benefitted from corporate training in the 1980s and 1990s are staying in the workforce longer, while Millennials are facing a bottleneck in management roles.

"Employers are faced with the difficult decision of developing talent internally or shopping externally for needed skills. Right now it appears many are opting to looking externally," said O'Brien. "As we continue to transition to a digitally-savvy, networked recruitment system, where job seekers can easily find new opportunities, we also need to understand the value of retaining and developing talent."

So that raises the question: How can companies actively remedy these problems if they cannot agree on what to solve and who will solve it? A potential first step is a rededication to training programs. As the past has shown, strong internal training programs provide companies with a steady stream of qualified workers. By building a stable workforce, companies can help

control many of the problems they may face in the future. Even though SWP has been a major corporate issue, companies are only now starting to grapple with how to actively move it forward.

*Strategic Drift: How HR Plans for Change* was commissioned by the ADP Research Institute and the research was conducted and written by The Economist Intelligence Unit. The report is based on a survey of 502 C-suite respondents in the U.S. and a series of in-depth interviews with senior executives.

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