

A woman with long brown hair, wearing a dark blazer over a white top, is seated at a desk. She is looking down at a laptop screen with a focused expression. Her right hand is raised near the laptop, and her left hand is holding a yellow highlighter. The desk also has a computer mouse and some papers. In the background, there are shelves with various items, and a potted plant is visible on the left side of the frame.

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Gartner for HR

Managing Employee Retention Through Uncertain Times

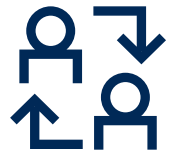
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This resource helps provide HR leaders guidance for how to effectively prioritize their employee experience strategy to optimize employee retention as they balance engaging their workforce with cost reduction measures as their organizations respond to the financial challenges of COVID-19.

Gartner HR Practitioner Research Team

Adjusting Employee Experience to the “Next Normal”

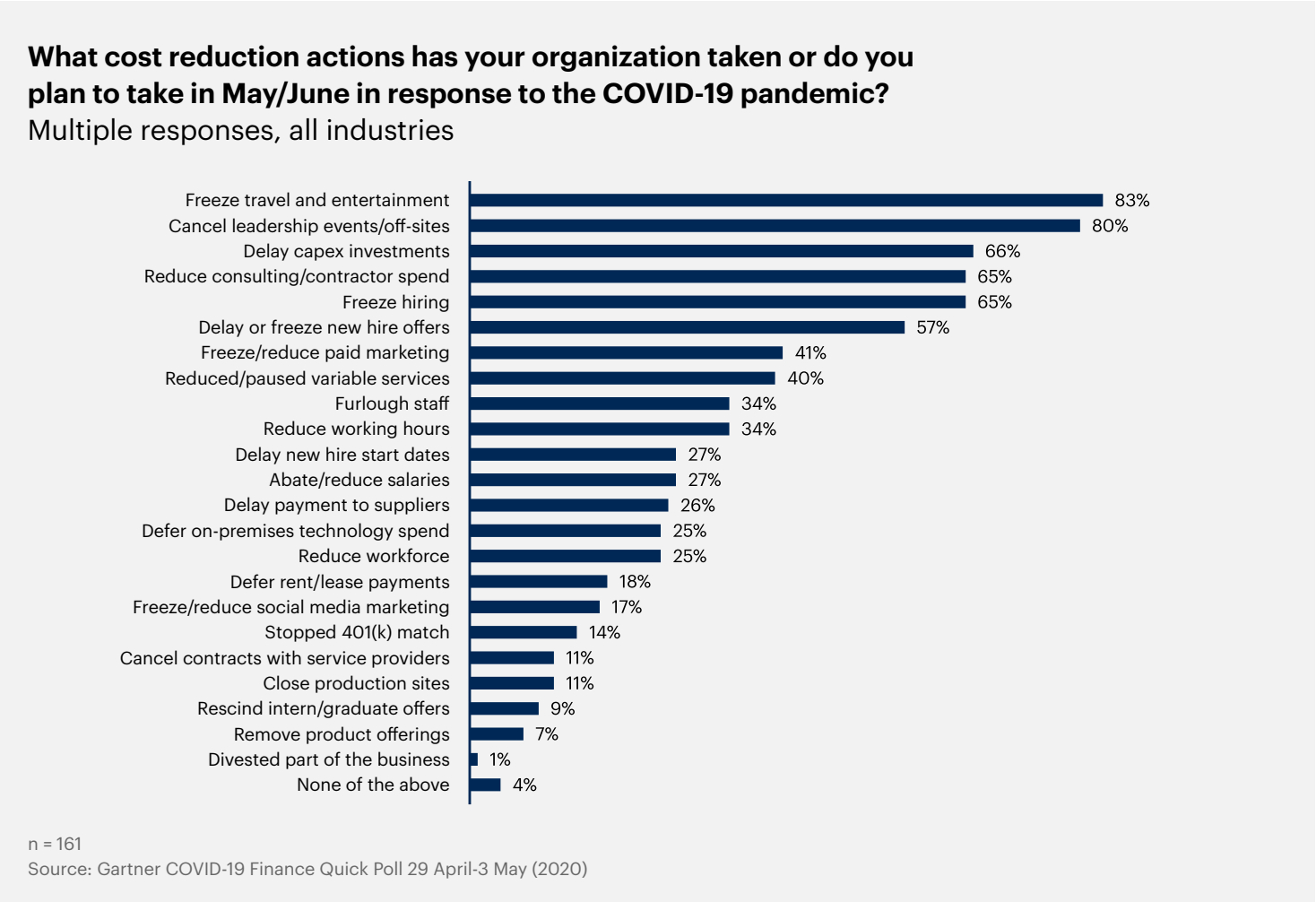
As organizations around the world cut costs, HR leaders now must make difficult choices as they work to balance workforce expenses that improve employee experience in a budget-constrained context.



Employee Experience: How employees internalize and interpret the interactions they have with and within their organization and the contexts that influence those interactions

Gartner research conducted prior to the global pandemic shows that cost-cutting measures almost always have a negative impact on individuals’ employee experience. Cost-cutting measures can have a direct and negative impact by reducing the tangible value employees receive through their job, but even measures that have indirect impacts can erode employee trust in their employer to provide value in the future. Such impacts can contribute to adverse impacts on critical talent outcomes, including employee engagement and productivity. HR leaders need to carefully evaluate their employee experience strategies, as, as our data shows the many different approaches finance leaders are currently taking to respond to the crisis (see Figure 1).

Figure 1: Organizational cost reduction actions taken in response to COVID-19 pandemic



As HR leaders evaluate what aspects of their employee experience strategy are most important to maintain in these uncertain economic times, we analyzed the responses of nearly 500,000 employees based in more than 20 countries across 10 years of data using our Global Labor Market Survey to provide guidance on how to maximize employee retention.

How to Prioritize EX Through a Recession

Employee experience in any context is an important driver of employee engagement, and our analysis shows that employees who are fully satisfied with their work experience are 60% more likely to report high intent to stay, and 52% more likely to report high discretionary effort. This makes sense, as employees that are excited about their day-to-day work are more likely to want to continue to work at their current employer. However, an economic downturn presents challenges that make it harder for organizations to keep their workforce committed, as it places stress on employees’ financial and job security. As a result, it becomes even more important to think about how organizations are delivering on their employee experience strategies.

To understand how HR leaders should be prioritizing their employee experience strategy, we evaluated the extent to which employee satisfaction with five different components of their experience at work (opportunity, organization, people, rewards, and work) impacts their commitment to their current organization. We compared the impact that these factors have on employee retention under average macroeconomic times to that during times of an economic downturn. We found the average quarterly GDP growth rate in our sample from 2010 to 2019 to be approximately 0.5%, and compared that to a conservative estimate of -3.0% GDP growth decline, to estimate the anticipated economic downturn that is likely to lie ahead.

Our analysis indicates statistically significant differences in the interaction between GDP growth rate and the satisfaction with different aspects of the employee experience. In other words, the aspects of employee experience that matter most to driving employee engagement, do in fact depend on the organization’s macroeconomic context. During times of economic downturn, two components — work and people — are more impactful in driving employee retention, while opportunity is less important (see Table 1).

Table 1: Importance of EX factors in driving employee retention

Impact of components in driving employee retention	Average economic context	Economic downturn context	Rank difference between contexts
1 (most impactful factor)	Opportunity	Work	+1 more important
2	Work	People	+1 more important
3	People	Opportunity	-2 less important
4	Rewards	Rewards	No change in importance
5 (least impactful factor)	Organization	Organization	No change in importance
n = 490,121 employees			
Note: We modeled the average economic context by taking the average GDP growth rate between 2010 and 2019 (0.5%) and modeled the economic downturn context by taking a GDP growth rate of -3.0%.			

Source: 2010–2019 Global Labor Market Survey

As a result, this means that in times of an economic downturn, HR leaders should prioritize the shorter-term aspects of their EX strategy, rather than those that require longer-term time horizons. In times of economic uncertainty, it becomes much harder for organizations to promise future benefits, and even if they do, employees may not trust the organization's commitment to what they communicate in light of cost-cutting efforts. As a result, even if organizations present an optimistic view of future career opportunities, we find this approach does not have as strong an impact on employee engagement, compared with a more favorable macroeconomic context.

Instead, HR leaders should focus on the day-to-day aspects of their employee experience, which in contrast, have a stronger impact on employee engagement in times of economic uncertainty for their current workforce. These short term factors have an immediate impact on improving employees' work experience, and as a result, employees that are satisfied with their work and people factors are much more likely to have higher levels of organizational commitment in an economic downturn. These factors help to provide employees job security and create loyalty for sticking with their employer for the longer term.



Taking Action to Maintain an Effective EX Strategy in an Economic Downturn

Here are a few strategies organizations can take to ensure their employee experience strategies maximize their workforce's intent to stay committed to the organization through these times of economic uncertainty. We have provided links to recommended resources to help equip you and your team to take action on each priority.

1

Adjust Engagement Strategy Amid Reductions in Force

Reductions in force (RIF) and other employee cost mitigation efforts can have significant effects on the engagement, productivity and long-term retention of remaining employees. Given these drastic changes, HR leaders need to rethink their approach to engaging the remaining workforce.

- See our “Post Reduction In Force Engagement Strategy Framework,” which provides guidance for how to approach engaging the workforce in the short term, intermediate and long term in response to a reduction in force.

2

Enable Managers to Lead in the “Next Normal”

As teams adjust to the new workplace realities of social distancing, managers similarly need to learn to operate and perform through disruption. Whether leading a newly remote team, engaging employees during the pandemic or taking new approaches to performance conversations, managers must adapt to lead their teams through uncertain times, and ensure they maintain an effective employee experience.

- See our report “Resources That Enable Managers to Lead Through Disruption,” which includes a series of tools and guidance to help HR leaders support managers through disruption.
- See our tool “Manager Guide to Conflict Resolution,” for a series of tips and resources to help managers navigate conflicts between employees.

3

Maximize Organizational Responsiveness Through Disruptions

Pressure to keep pace with the rapidly evolving business context means organizations need a more responsive workforce. Most HR leaders are trying to promote a responsive culture by investing in a talent strategy that hires, develops and motivates agility. But while employees have the right skills and mindset to be responsive, they're still not working in a responsive way. Organizations need to consider how they can reduce friction in the way work is designed, to maximize the impact of their talent strategy and unlock responsiveness across their workforce.

- See our webinar replay “Designing Work to Unlock a Responsive Culture — Setting the Stage,” which provides guidance for how to think about most effectively engaging the workforce in the short term, intermediate and long term.
- See our article “Driving Innovation Across a Remote Workforce” to learn how to use organizational design to help support the interteam collaboration required to maintain innovation.

4

Support Workplace Inclusion

While HR organizations continue to protect employee health, support remote work and ensure the continuity of operations, many are shifting their efforts to understand and manage the employee experience. A critical component of productivity and engagement in this difficult time is improving inclusion. Inclusion refers to psychological safety, trust, and belonging, especially important given the pandemic's impact on employee emotions such as fear and uncertainty — a challenge exacerbated by a remote work environment.

- See our article “How Organizations Can Support Parents Working At Home Alongside Children” to learn what steps organizations can take to support working parents.
- See our article “Leader Guide to Fostering Psychological Safety During a Crisis” to provide managers practical steps managers can take to foster psychological safety during times of crisis to encourage employees to feel more comfortable speaking up.

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Check out other research on this topic:

Recommended for you

HR's Current Range of Responses to Individual Employee Experiences

Six Tips for Supporting Employee Segments That Cannot Work Remotely

Reengaging Employees After a Reduction in Force

Employee Engagement Implications of COVID-19

Employee Experience Primer for 2020

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