

THE CORPORATE LEAVERS SURVEY



The Cost of Employee Turnover Due Solely to Unfairness in the Workplace

SPONSORED IN PART BY  **KORN/FERRY INTERNATIONAL**

executive summary

Unfairness in the workplace costs U.S. employers \$64 billion on an annual basis, nearly equivalent to the 2006 combined revenues of Google, Goldman Sachs, Amazon.com and Starbucks.

What happens when an Arab telecommunications professional, returning from a family visit to Iraq, is jokingly asked by a manager if he participated in any terrorism? Or when an African-American lawyer is mistaken, three times, for another black lawyer by a partner at the firm? What is the effect when a lesbian professional is told that her employer covers pet insurance for rats, pigs and snakes but does not offer domestic partner benefits? What about when a Latina information technology professional is told by her manager that she is too “ethnic” to be taken seriously? They leave.

They leave without any of the attention given to the multi-million dollar gender or race based discrimination lawsuits, but they and millions like them leave at an annual cost which exceeds the cumulative settlements for all sex and race based lawsuits reported by the Equal Employment Opportunity Commission from 1997 until 2006.¹ They leave at a time when people of color and women constitute a majority of the U.S. workforce and they leave committed not to use their former employer's products or services and resolved not to recommend their employer to any of the professionals in their network.

The Corporate Leavers Survey,² a groundbreaking study conducted by the Level Playing Field Institute in January 2007, shows that each year in this country, more than 2 million professionals and managers in today's increasingly diverse workforce leave their jobs, pushed out by cumulative small comments, whispered jokes and not-so-funny emails. This rigorous study, the first large scale review of this issue, shows that unfairness costs U.S. employers \$64 billion on an annual basis—a price tag nearly equivalent to the 2006 combined revenues of Google, Goldman Sachs, Starbucks and Amazon.com³ or the gross domestic product of the 55th wealthiest country in the world.⁴ This estimate represents the cost of losing and replacing professionals and managers who leave their employers solely due to workplace unfairness. By adding in those for whom unfairness was a major contributor to their decision to leave, the figure is substantially greater. This study also shows how often employees who left jobs due to unfairness later discouraged potential customers and job applicants from working with their former employer.

This extensive study of U.S. employees, conducted in January 2007, takes an in-depth look at: (1) the effect of unfairness upon an employee's decision to leave their employer, (2) the financial cost to employers due to voluntary turnover based on unfairness and (3) what, if anything, employers could have done to keep employees who left due to unfairness. We focused our study on professionals and managers in the corporate workforce who voluntarily left their employers or volunteered for a layoff within the past five years.⁵ We began with a sample of 19,000 potential survey subjects to yield 1,700 professionals and managers who met our criteria and completed the survey.

Beyond the financial costs of unfairness, the Corporate Leavers Survey findings include:

- People of color are three times more likely to cite workplace unfairness as the only reason for leaving their employer than heterosexual Caucasian men and twice as likely as heterosexual Caucasian women.
- Gay and lesbian professionals and managers said workplace unfairness was the only reason they left their employer almost twice as often as heterosexual Caucasian men.
- Among the specific types of unfairness we inquired about, the behaviors which were most likely to prompt someone to quit were: (1) being asked to attend extra recruiting or community related events because of one's race, gender, religion or sexual orientation, (2) being passed over for a promotion due to one's personal characteristics, (3) being publicly humiliated and (4) being compared to a terrorist in a joking or serious manner.⁶

- More than one-fourth (27%) of respondents who experienced unfairness at work within the past year said their experience strongly discouraged them from recommending their employer to other potential employees. Similarly, 13% of these same respondents said their experience strongly discouraged them from recommending their employer's products or services to others.
- Responses concerning what employers could have done to keep them varied across demographic groups. Almost half of gay and lesbian professionals and managers said that if their employer offered more or better benefits they would have very likely stayed. In comparison, 34% of people of color said they would have very likely stayed if their employer had offered better managers who recognized their abilities.

The most fundamental conclusion to be drawn from this study is this: overt and illegal discrimination is no longer the largest threat to recruiting and retaining the "best and the brightest." Unfairness, in the form of every-day inappropriate behaviors such as stereotyping, public humiliation and promoting based upon personal characteristics is a very real, prevalent and damaging part of the work environment. We found that experiences of unfairness vary by demographics, and thus generic trainings and laws alone cannot adequately remedy this complex problem. By identifying, studying and quantifying the problem of unfairness in the workplace, across demographics, we can work to remove the barriers and biases which create unfair workplaces. To receive more information about the Corporate Leavers Survey and its findings, please contact Level Playing Field Institute at (415) 946-3030 or at info@lpfi.org.

NOTES

¹ <http://www.eeoc.gov/stats/race.html>; <http://www.eeoc.gov/stats/sex.html>

² The term, "corporate leavers," as used in this report, is defined as those professionals and or managers who voluntarily left or volunteered for a layoff from their corporate employers (as opposed to public, government or not-for-profit employers).

³ See http://www2.goldmansachs.com/our_firm/investor_relations/financial_reports/annual_reports/2006/; http://investor.google.com/fin_data.html; http://library.corporate-ir.net/library/99/995/99518/items/230297/10K_A_10K.pdf and http://media.corporate-ir.net/media_files/irol/97/97664/2006AnnualReport.pdf

⁴ <http://siteresources.worldbank.org/DATASTATISTICS/Resources/GDP.pdf>

⁵ We focused on professionals and managers as opposed to entry-level, administrative or similar employees because professionals and managers are a source of invaluable expertise to employers and are thus the focus of recruitment, development and retention efforts. This is also the population where the U.S. faces the greatest talent shortage in coming years.

⁶ The actual incidence rate of being compared to a terrorist amongst the corporate leavers surveyed was small, 2%. However, when it did occur, it had a profound effect and was one of the behaviors most frequently associated with an employee's decision to leave solely due to unfairness.