

ORIGINAL:  
DATE:

## **Meeting on Measuring Quality of Employment**

**31 October – 2 November 2011**  
**Palais des Nations, Geneva, Switzerland**

MEASURING EMPLOYEE RETENTION IN WIPO

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## 1. INTRODUCTION

Employee Retention refers to policies and practices that companies use to prevent valuable employees from leaving their jobs. Retention is a new and modern approach to estimate the movement of employees. Understanding employee's Retention Rate is frequently used to estimate the separation, insurance or retirement cost. Measuring Retention tells you which are the levers, after how much time they leave, with which skills they have left. Retention rather than turnover is better for estimating the cost of separation and the cost of Retention for those employees who stay active.

It is important to know the Retention Rate. A low Retention Rate means that valuable employees are leaving and probably the satisfaction is also lower. In contrast a high Retention Rate does not necessarily means that only the highest employees are retained and the cost of long term employees could increase.

In the case of WIPO, it is know that the turnover rate is amongst the lowest in the United Nation System. This turnover has been averaged on 2.1% during the last ten years. In consequence the Retention Rate is high. The present paper is an analysis of Retention in WIPO. The aim is just to estimate the Retention Rate and compare it with other sectors. The Retention is an indicator of the number of employees that will remain active after a given length of service.

In this paper we are also focused on some variables that eventually could affect the Retention. These variables are Gender, Category (General Service, Professional and Director Employees) and age at the moment of appointment.

## 2. METHODOLOGY

The sample includes 276 employees appointed as fixed term between 1 January 1994 and 31 December 2001. The period of eight years was chosen in order to have a maximum of employees permitting to have enough cases and enough time to observe the movements of personnel. To measure the Retention Rate two dates have been taken into account: entry on duty and leaving date by voluntary separation. The employees separated by retirement are not included because they represent a "natural" way to leave.

We are also interested on three factors that eventually could affect the survival period. For that we have focused on three variables: Gender (Male and Female), Category (General Service and P and D degree) and Age at entry on duty (It has been ranged in three levels a) less than 30 years old; b) between 30 and 40 years old and c) More than 40 years old).

The data were ordered to show the number of levers and their length of service before leave and the number of employees remaining active after a given length. Then the relative percentage of levers has been calculated. Finally the Retention Rate after a given number of years of service was also estimated.

The estimation of Retention Rate was calculated by the means of survival analysis (SA). On human resources, SA has been used to calculate the probability that the employees have to remain active after a given number of years. The SA takes in account the overall movement of employees at a given period and supposes, if all conditions remain constant, that further estimations could be consistent. It also supposes that the new employees should be summited to the same probabilities.

### 3. RESULTS

#### 3.1 Overall observations

The table I shows that 6 fixed term employees left the organization before one year of service. Then 13 employees left at one year of service. Seven employees left at three or four years and only 2 after 6, 7 and 8 years of service. Any employee has left the organization after 9 years.

The overall Retention Rate on WIPO after 8 years of service is 83%. Indeed, from 276 employees appointed at WIPO between 1 January 1994 and 31 December 2001, 229 were still active at March 2010 and only 47 left. A second observation is that the majority of employees deciding to leave the organization did so during the first three or four years of service. The proportion of employees leaving after 6 years of service is very low.

Length of Service	Years of Service before leave										Active
	0	1	2	3	4	5	6	7	8	9 >	
Count of Leavers	6	13	8	7	7	0	2	2	2	0	229
Yearly % Leavers	2.2 %	4.7 %	2.9 %	2.5 %	2.5 %	0%	0.7 %	0.7 %	0.7 %	0%	83.0%
<b>Retention Rate %</b>	<b>97.8</b>	<b>93.1</b>	<b>90.2</b>	<b>87.7</b>	<b>85.1</b>	<b>85.1</b>	<b>84.4</b>	<b>83.7</b>	<b>83.0</b>	<b>83.0</b>	<b>83.0</b>

#### 3.2 Retention Rate by selected variables (Survival Rate).

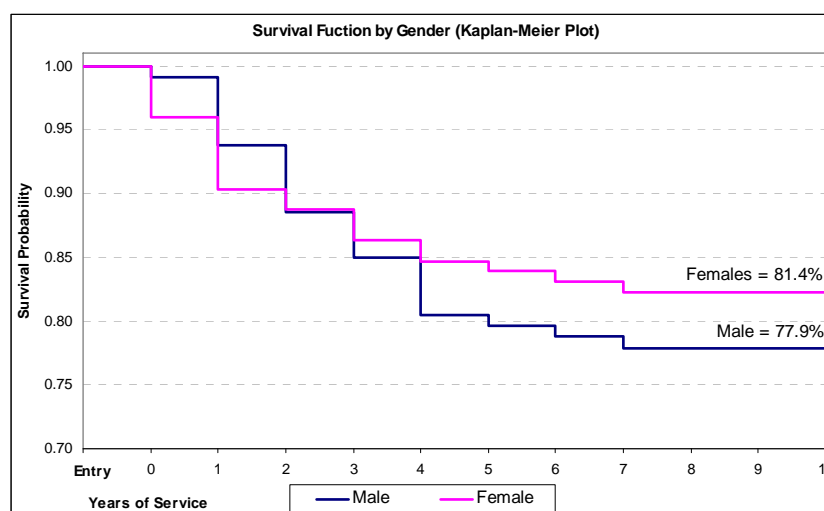
In the present paper we are interested to know whether some variables, such as grade, gender and age at entry have a role on the Retention Rate. The next three sections will expose that in a short manner. The distribution of variables is given in the table below.

Table II

Range of age at appointment	Gender		Category	
< 30	68	M	140	General Service
30 - 40	134	F	136	P and D
40 >	74			
<b>Total</b>	<b>276</b>		<b>276</b>	<b>276</b>

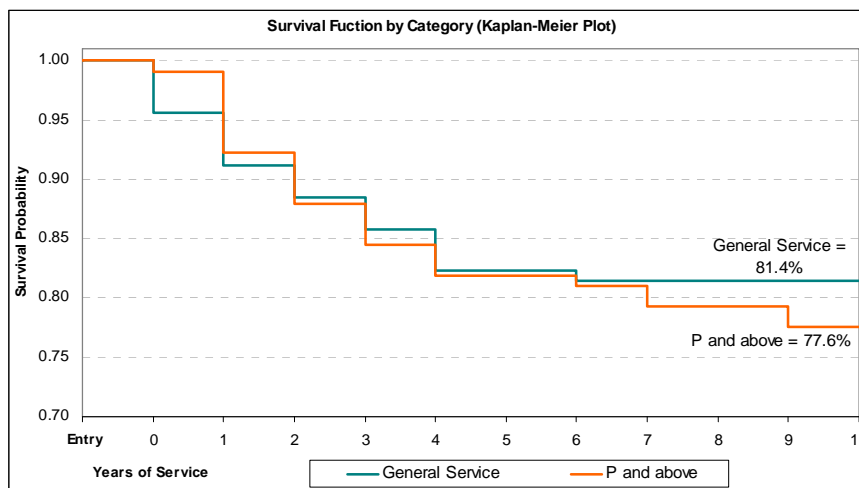
##### 3.2.1 Retention – Survival probability by Gender.

The Retention Rate by Gender is shown on the chart I. The chart shows that the Retention Rate after eight years of service is 81.4% for females and 77.9% for males. This difference is not statistically significant (T test = ns). The probability of remaining active decreases faster during the four first years then it remains stationary after seven years.



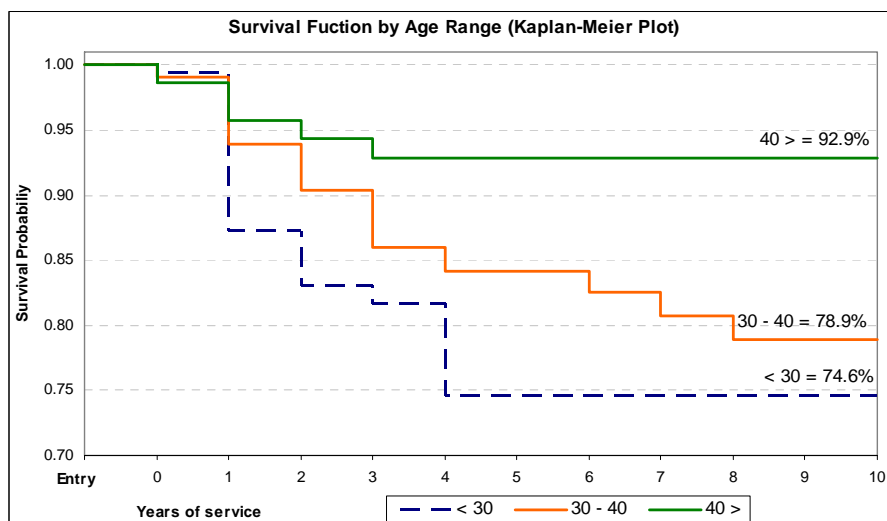
### 3.2.2 Retention – Survival probability by Category.

In the same context, the Retention Rate after nine years is 81.4% for the General Service employees and 77.6% for the P and D grade employees. The final difference is neither statistically significant for both groups. However the probability becomes stationary after six years for the General Service whereas for the P and D employees continue to decrease after nine years.



### 3.2.3 Retention – Survival probability by Age.

Concerning the Age at Entry on duty, the Retention Rate for those employees appointed at 40 years old and more is 92.9% whereas for employees appointed between 30 and 40 years old is 78.9% and for those appointed younger than 30 years old is only 74.6%. In this case the difference is significant ( $p=0.01$ ). This means that older an employee is when appointed more the chances of the employees staying until retirement is high. In contrast the younger employees search to leave earlier the organization.



## 4. CONCLUSION AND FURTHER ISSUES

In Overall the Retention Rate in WIPO is 83% after eight years of service. Some differences are observed among different variables. However the difference is not significant for Gender (Male and Female); neither for Grade (G gains P and D). For the age at entry on duty, the group of people recruited after 40 years old is significant.

The question now is to know whether this rate is correct. As a comparative example the table III shows the Retention Rate after eight years of service in US labor market and US health sector. (Source: <http://goliath.ecnext.com/>). The USA labor market Retention Rate could be due to two factors: a high level of instability and/or a high level of mobility. These two factors could be marginal to explain the Retention in WIPO. The real effect of a labor market dynamics in WIPO (and in general in the UN system) could be the subject of a further paper. In this paper we can only say that, compared to the US labor market the case of WIPO, the Retention Rate is too high.

Table III	Retention Rate after 8 years of service						
Overall US labor Market	US Health Sector	Overall WIPO	WIPO by Gender (M)	WIPO by Grade (P & D)	WIPO by Age (<30)	WIPO by Age (30-40)	WIPO by Age (40 >)
<b>37%</b>	<b>35%</b>	<b>83%</b>	<b>79%</b>	<b>77%</b>	<b>74%</b>	<b>78%</b>	<b>92%</b>

In the same context, the turnover Rate form some European countries varying from 14% of employment in Greece and 16% in Sweden to between 25% and 30% in the UK and Finland. (Source: Eurostat). That is to say the Retention Rate in one year is 86% in Greece, 84% in Sweden and 70% in UK and Finland. Compared with the 83% after eight years, the Retention Rate in WIPO is exceptionally high.

Finally the Retention Rate could be easily interpreted as probability to remain active. In this context the 83% Retention Rate in WIPO means that for every 100 employees appointed, 83 could remain active until retirement. For the employees appointed at the age of 40 old or more years this probability is 92%. The impact on cost could be estimate in consequence.

Measuring Retention is an excellent indicator to generate practices and policies to manage the long term service employees. For example if the employees don't leave the organization after a given number of years of service they have a higher probability to stay actives until retirement date. That could have a direct impact on long term administration (mobility and training), insurance due to aging and the retirement cost.

On the paper we were only focused on measuring Retention. But this paper could also be the starting point for further analysis of the consequence and risk of the long term length of service.