



AUTHENTIC LEADERSHIP: THE LINK TO TURNOVER AND TALENT RETENTION

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Abstract

For employees, job security and equitable compensation are among the top concerns. At the same time, employers are constantly concerned with workers' turnover and retention. These two competing interests led to a dynamic context that required courts and government interventions. This constant conflict is well-documented throughout the different media platforms. Specifically, the extensive coverage of clauses such "Stay or Pay", "TRAP", and the noncompete agreement that led to the FTC ban.

This paper provides a snapshot of the current context characterized by workers' turnover and employers' efforts as an attempt to ensure employees' retention. Considering the complexity, and the dynamic nature of this situation, we suggest that authentic and sound leadership in place contribute positively to the solution to the retention problem.

Keywords

Authentic Leadership, Stay or Pay, TRAP, FTC

Introduction

Many organizations recite a common mantra: "Our employees are our most valuable assets." Indeed, attracting and retaining knowledge workers with their experience and skills is vital for an organization's success. Since the pandemic, however, many organizations are finding out that it is challenging to try to compete and retain employees in a tight labor market manifested by the "Great Resignation" trend. This appears to be evident in manufacturing, retailing and business services.

In addition, the current labor supply trend is constrained by the projected 2022-2032 slower population growth. This is driven by declining fertility rates and aging population (Anonymous, 2023). For example, a recent report by the Bureau of Labor Statistics projects that older Americans will account for 57 percent of the country's labor force growth in the coming decade (Bhattattarai, 2023).

So, why are we in worker shortage? One of the puzzles of the pandemic economy is the ongoing labor shortages amid the so called "Great Resignation". COVID-19 which has led to a health crisis that affected various employment practices. This may have caused repercussions for organizational stability and employment opportunities. Several factors have come together to cause the shortage:

- (1) Pandemic.
- (2) Early retirement and aging workforce.
- (3) Lack of access to childcare.
- (4) Decline in birth rate.

After several years of COVID-19, the labor force is becoming tighter. As a result, the balance of power is shifting, and workers are more empowered than ever. For example, some workers are ready to reject professional norms and leave jobs to take advantage of the plentiful openings and higher wages. Some call it the "Great Reshuffle" where workers are seeking better opportunities with new employers and occupations. This may have given rise to the use of "Stay or Pay" clauses in employment agreements by employers to retain workers. Consequently, there was a shift from the "Great Resignation" to the "Great Retention".

Corporate Response to Uncertainty of Labor Supply and Turnover

Today, employers are looking for strategies to retain employees and discourage turnover. According to a New York Times article, it appears that employers are requiring employees to sign the “Stay or Pay” clauses in their employment agreements (Kaiser-Schatzlein, 2023). Specifically, it requires employees to stay in their jobs for a defined period to compensate for costs incurred in the recruiting and training of employees. Some employers may use it as the answer to labor shortage. For example, some experts suggest that about 33 percent of U.S. employees are currently working in industries where a training-repayment-agreement clause called (TRAP) is prevalent (Sloan, 2023).

In the meantime, some argue that TRAP clauses are like noncompete agreements which the FTC argues are an unfair method of competition by limiting employee mobility (Moreno, 2024; Telford, 2024). Noncompete agreements prohibit employees from working for corporate competitors or opening their own competing business within a geographical area for a certain period after leaving a company (Shepherd, 2023). The FTC’s proposed noncompetition ban inspired employers to move instead to imposing TRAP which are enforced without the power of the courts behind them (Dayen, 2023). As a result, states such as Connecticut and Colorado banned most TRAP. Also, additional bills have been introduced in California, Pennsylvania, and New York (Brown, 2023).

Using Authentic Leadership to Usurp the Use of Trap

Good leadership is the key to employee retention. Overall, leaders set the tone for corporate culture. It is a summary of shared values, traditions, behaviors, attitudes, and practices in the workplace (Yohn, 2021). For example, a recent research study using employee data reveals that a toxic corporate culture is by far the strongest predictor of attrition (Rosen, 2023; Sull et. al., 2022). The leading elements contributing to toxic culture include failure to promote diversity, equity, and inclusion; workers feeling disrespected; and unethical behavior. Today, leadership is no longer defined by titles, authority, or hierarchical structure. Leaders who relate to their employees are critical to organizational success. A recent Gallup Poll shows that more than half of all American workers have left jobs to escape poor leadership (Dennison, 2022).

Currently, employees feel empowered to find fulfilling jobs and a healthy work environment. As a result, the answer to retaining talented employees is authentic leadership. Authentic leadership is a style that focuses on positive examples through integrity, vulnerability, empathy, resilience, adaptability, as well as promotion of building trust, employee engagement, communication, accountability, innovation, personal growth, and cultural sensitivity (Anonymous, 2019; Gavin, 2019). Some contend that to practice authentic leadership, your ego must be checked at the door. If you have experienced poor leadership, you may display some of the following signs (Bregel, 2023; Helbig, 2023; Brower, 2021; Abbasi et. al., 2008):

- (1) You don’t look forward to going to work.
- (2) You don’t feel supported, recognized, appreciated, and valued.
- (3) You feel your confidence is being undermined by the practice of micromanaging.
- (4) You feel your leader lacks empathy, plays favorites, and is just plain difficult.
- (5) You feel your leader needs to become less like boss and more like coach.
- (6) You feel the need for your organization to provide better work-life balance.
- (7) You do not feel that the workplace prioritizes the well-being of their employees.

Conclusion

This paper is an attempt to provide a picture of the current context of the labor market from the point of view of workers’ turnover and retention. Clearly, it’s a complex situation and all stakeholders are continuously adjusting their position to stay in the game. We suggested that genuine leadership might offer a glimpse of hope to alleviate the problem that certainly has an impact on the US and world economies.

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