

The Employee Hierarchy of Needs

Meeting employees' psychological needs in the workplace





The Challenge

Employee retention has never been a more critical problem for companies than it is today. According to a 2021 Bureau of Labor Statistics report, the **annual total turnover rate in 2020 was 57.3%**. 2021 has seen record-high numbers of open jobs in the US peaking at 11 million open jobs in October of 2021. While these trends are driven in part by conditions surrounding Covid-19, they also reflect a pattern that spans across decades. For example, this 2015 CNN article expressed shock at the highest-ever number of open jobs in the US (5.4 million) - a number that is half what it is now!

When employees leave an organization, the costs can be devastating. Research from the Society for Human Resource Management estimates that the cost to replace an employee¹, on average, is 50% to 75% of that employee's salary. This cost is lower (around 25%) for lower-skilled workers, and much

higher (up to 250% salary) for highly skilled, niche roles. When your \$150,000 manager leaves your organization, it may cost you \$375,000 in total costs to replace them.

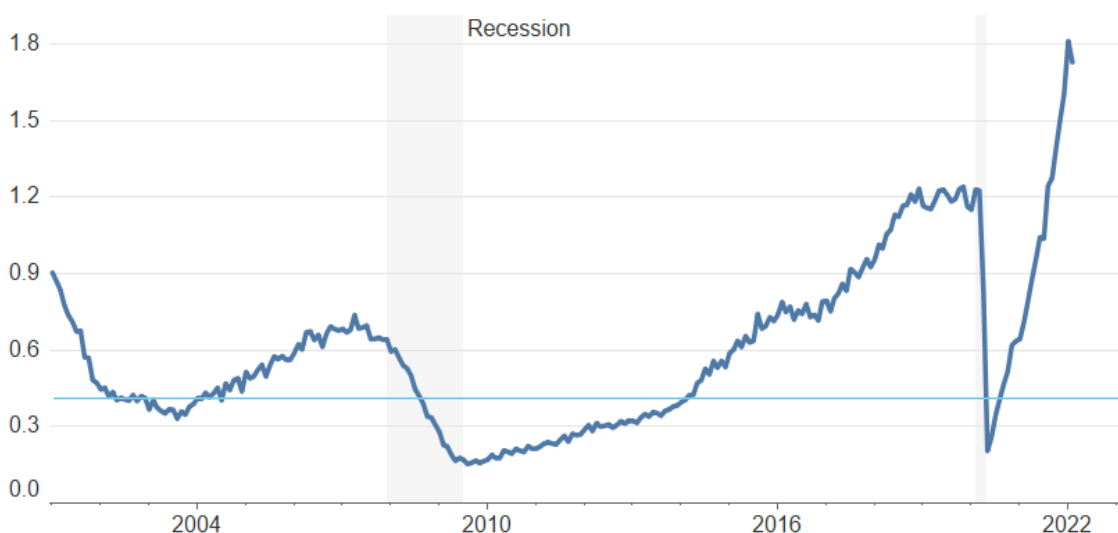
According to research by the Gallup organization², **employee attrition costs US companies up to \$1 trillion annually**. In addition to the observable hard-dollar cost, attrition also erodes institutional memory and expertise as well as team productivity and morale. According to a recent Gallup survey, 81% of companies with extended job vacancies reported a negative impact on their company³, including outcomes such as not getting work done (28%), disengaged or unmotivated workers (27%), low employee morale (25%), revenue loss (25%), and delivery time delays (22%).

At beverage giant Molson Coors, highly engaged employees were five times less likely than nonengaged employees to have a safety incident and seven times less likely to have a lost-time safety incident. By strengthening employee engagement, the company saved \$1,721,760 in safety costs in one year⁴.

1. The total cost number includes direct costs, such as recruiter fees, as well as indirect costs, such as lost productivity, remaining morale, etc.
2. <https://www.gallup.com/workplace/247391/fixable-problem-costs-businesses-trillion.aspx>
3. <https://www.globenewswire.com/news-release/2020/08/12/2077241/0/en/Even-in-a-Pandemic-Companies-Still-Struggle-with-Employee-Turnover.html>
4. <https://www.shrm.org/resourcesandtools/tools-and-samples/toolkits/pages/sustainingemployeeengagement.aspx>

The number of job openings per unemployed worker is at an all time high. Tight labor markets are not expected to change any time soon.

Number of job openings per unemployed worker



Source: Bureau of Labor Statistics, RSM US

The Root Cause

Employee productivity and retention are not accidental, nor are they merely the result of societal trends. Rather, at the level of the individual organization, they are the result of how well or poorly that company meets the core needs of its employees. The fact that turnover

rates are at an all-time high illustrates that most companies fail to understand the importance of - and nuances of - employee needs.

McKinsey recently completed research⁵ comparing the reasons employers believe people leave their jobs versus the actual reasons people leave. The reasons employers gave are completely different than the reasons cited by employees.

Employers' top three reasons why employees leave their jobs

- A. Looking for a better job
- B. Inadequate compensation
- C. Poor health

Top three reasons cited by employees why they leave their jobs

- A. Not feeling valued by the organization
- B. Not feeling valued by their manager
- C. Lacking a sense of belonging

The resulting disconnect illustrates the central challenge: employers do not clearly understand the needs of their employees. Unfortunately, many employers subscribe to an outdated view of employee motivation that is solely focused on practical rewards like compensation and vacation days. HR departments spend considerable time on the administration of benefits and compensation, so it's no wonder they assume this is employees' first priority as well. Unfortunately, this assumption causes them to miss out

on opportunities to connect with and support employees in areas that research shows are actually more important to employees, such as feeling a sense of belonging and being valued in the workplace. This mismatch between employer and employee priorities can cause companies a series of problems including unsatisfied employees, low retention rates, unnecessary escalation of compensation, and low productivity.

5. <https://www.mckinsey.com/business-functions/people-and-organizational-performance/our-insights/great-attrition-or-great-attraction-the-choice-is-yours>

The Solution

The Whistle Employee Hierarchy of Needs provides a roadmap of insights into the full range of employee needs. Below, we lay out this hierarchy by

describing the core needs and how they build on one another. We briefly discuss the consequences to employees and businesses of meeting vs not meeting them and offer strategies for how to better meet each level of need.

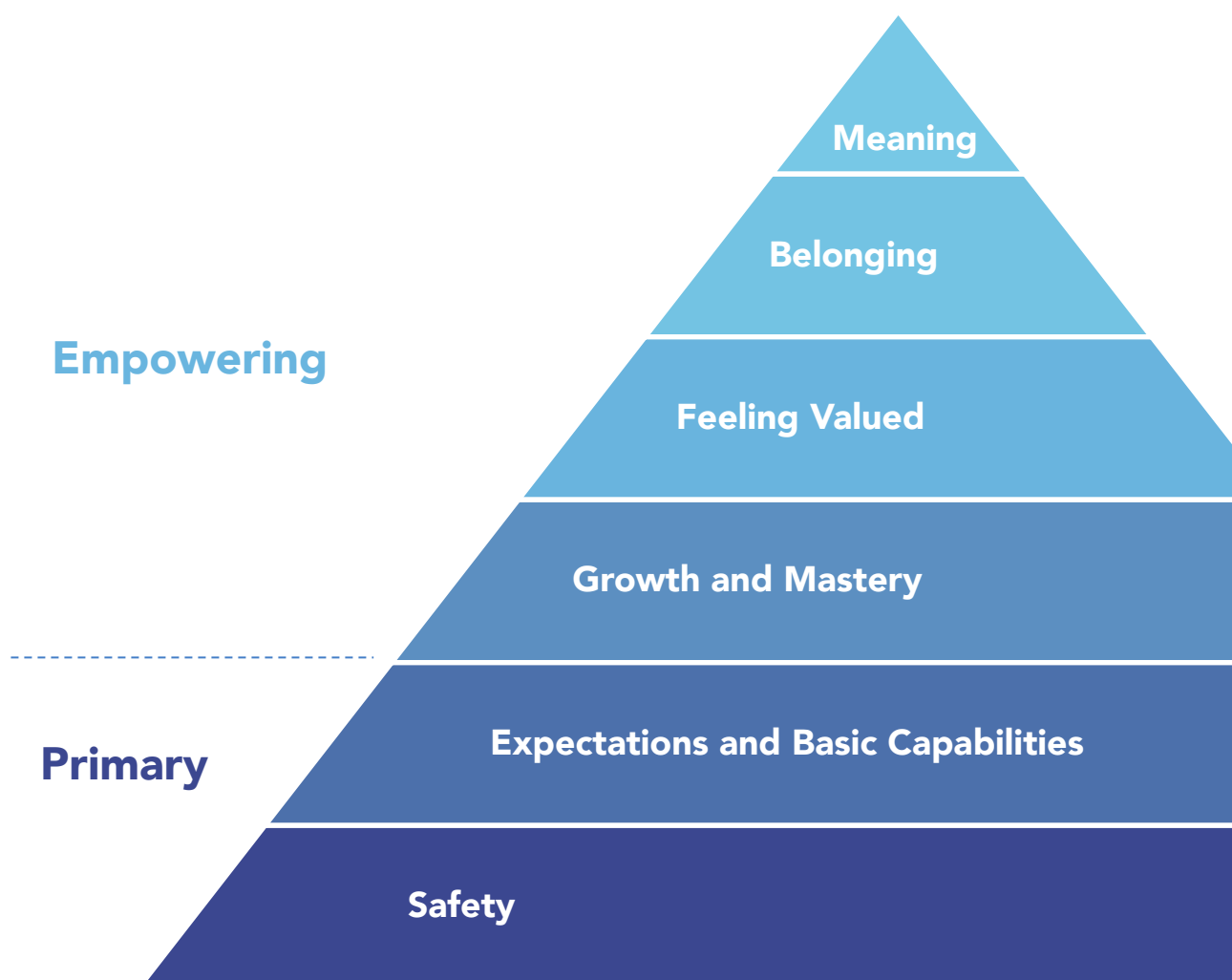


Figure 1: The Whistle Employee Hierarchy of Needs

The Whistle Employee Hierarchy of Needs, in order from most foundational to highest order, are:

Safety

Refers to both physical and psychological protection from harm.
Am I working in a place that will keep me safe?

Expectations and Basic Capabilities

A clear understanding of what is expected and the skills to be successful in that role.
Do I know what is expected of me, and do I have the tools to succeed?

Growth and Mastery

Refers to employees' opportunities to develop professionally and to experience the satisfaction that comes with continuous growth.
Am I offered opportunities to continue a life-long learning path, improving my value and enjoying a meaningful career progression?

Feeling Valued

Employees feel that their skills and contributions are noticed and appreciated by those around them.
Does my manager and my organization appreciate and care about me?

Belonging

Employees feel a sense of connection to other people within the organization, and ideally to the organization as a whole.
Do I feel strongly connected to my colleagues and my organization?

Purpose and Meaning

Employees are deeply aligned to the purpose and mission of the organization.
Is the purpose and mission of the organization meaningful to me?

The three initial/lower needs are referred to as “primary” because they are core needs that all employees expect from an employer. These are things they need to be able to do their job at a baseline level. For example, an employee who is distracted with concerns of physical safety will be unable to fully focus on workplace tasks. Likewise, an employee who is not at least adequately trained in how to do their job well will be unable to perform the necessary functions.

The top three needs are referred to as “empowering” because they create an environment that helps employees reach their fullest and best potential. These levels are concerned with the emotional connections to a company

and the individuals within it. These empowering levels are the reasons employees stay with a company in the long term, do their best work, and feel a strong sense of loyalty and pride for their organization.

Working from bottom to top, as with other hierarchical models, each level must be addressed adequately to allow engagement at the next highest level. Primary Needs must be addressed, at least minimally, for higher-level functions to have the expected effect. Primary Needs allow employees to engage in their work free of dire concerns of physical or psychological safety with the necessary tools.

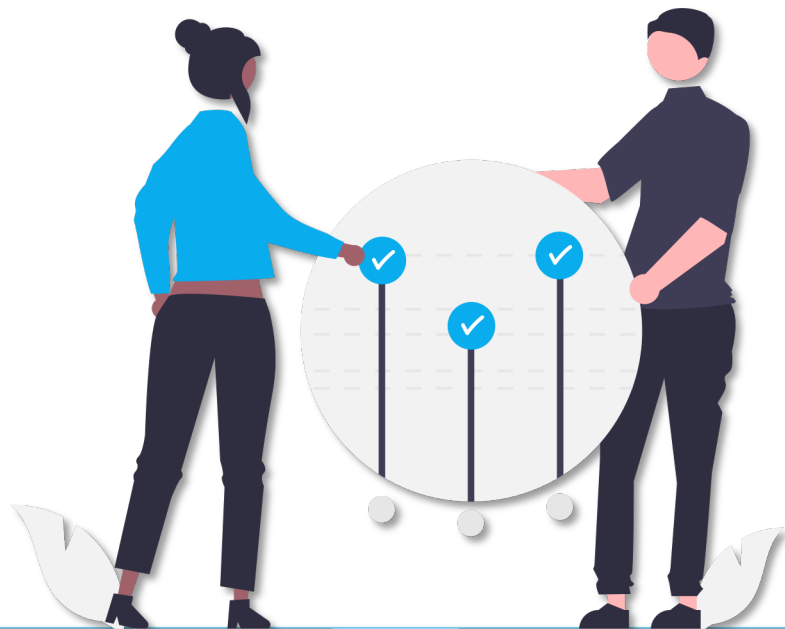


Figure 2: Impact of Needs Satisfaction on Employee Retention showing the success or failure to meet the two categories of needs (Primary and Empowering)

Primary	Good	3. Lower immediate turnover, but higher turnover in long-term (>360 days)	4. Lowest long-term turnover and highest engagement
	Poor	1. High immediate turnover (first 90 days)	2. High immediate turnover (first 90 days)
		Poor	Good
		Empowering	

Companies that fail to address Primary Needs will suffer from high levels of attrition in the earliest periods of employment, often the first hours or days (quadrant 1 in the table above). Unfortunately, companies often do not have a clear understanding of whether or how their workplace environment meets these core needs. Employers often create experiences that seem logical from the perspective of human resources or current leadership, but that fail to consider the perspective of the individuals who are being impacted. For example, to improve safety, one

manufacturer began onboarding with a full day of PowerPoint training on the topic of safe workplace behaviors. While the goal of the company was admirable, the result was to overwhelm new employees, creating a poor first impression of their new employer and making it seem as though the workplace was unsafe, requiring constant vigilance. Day-one attrition spiked in the following months. **Care must be taken to ensure practices and policies are meeting the needs of the individuals who are being impacted, not just the goals of the company.**

Focusing on Empowering Needs while neglecting Primary Needs (quadrant 2) will also result in high levels of short-term attrition despite your best creative efforts. For example, investing in a peer-to-peer recognition platform while ignoring lapses in safety protocols or fundamental training needs will not lead to improved retention outcomes.

A second common mistake made by many companies involves addressing only Primary Needs, while failing to mature to Empowering Needs (quadrant 3). With limited resources, it makes sense to focus on the domains that are most basic to workplace satisfaction and most likely to have an immediate payoff in terms of retention. However, exceptional attention to the three primary levels can, at most, bring a company into neutral territory regarding employee performance and retention. Efforts to improve the Empowering Needs result not only in higher long-term retention, but in vastly improved productivity⁶. More fully engaged employees result in better profit (12-50%).

Environments that satisfy all six core needs of employees (quadrant 4) will have a massive advantage in retention, engagement, and productivity. A more nuanced, but equally important, point is that high level talent will especially be drawn to - and will only be retained in - environments that satisfy or even excel in meeting all their needs. Companies that focus only on primary level needs will struggle with the quality of their employee base. It may be tempting to conclude that higher order needs such as belonging and purpose are reserved for particular (higher-autonomy, higher-paying) careers. However, research finds that engagement and performance are highest in all types of jobs when all needs are met⁷.



6. Harter, J. K., Schmidt, F. L. & Hayes, T. L. (2002). Business-unit-level relationship between employee satisfaction, employee engagement, and business outcomes: A meta-analysis. *Journal of Applied Psychology*, 87(2), 268-279

7. <https://www.hrkatha.com/special/employee-motivation-welfare/taking-the-blues-away-from-the-blue-collared-5-employee-engagement-tips-to-get-it-right/> ; <https://www.shrm.org/resourcesandtools/hr-topics/employee-relations/pages/hrs-commitment-is-what-engages-blue-collar-workers.aspx>

The Path Forward

Consider the **Whistle Employee Hierarchy of Needs Maturity Matrix** to better understand where your company is focusing and where you might benefit from additional attention.

Safety

- Physical safety
- Psychological Safety
- Inclusive culture

Maturity level

-
1. Employees feel safe from physical harm.
-
2. Employees feel safe from harassment, job loss.
Individual rewards are provided for safety training completion.
-
3. Employees feel safe from emotional risk or harm. Companies have policies that support the needs of a diverse workforce.
Teams are rewarded for continuous safety performance.
-
4. All employees feel welcomed, have an equitable voice. and are included.
Companies have diverse representation in leadership positions and equitable pay. Innovative ideas are celebrated in an environment of psychological safety.
Wellness credits are provided to staff.
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The **Whistle Employee Hierarchy of Needs Maturity Matrix** continued

Maturity level

Expectations and Basic Capabilities

- Job training
- Role clarity
- Effective support

1. Employees learn expectations on the job, from peers

2. There is a clear and accurate job description. Employees are provided written materials explaining the job.

3. Employees are provided a brief (<1 week) instructor-led onboarding explaining company values and policies. Supervisors provide regular guidance to employees on how to meet or exceed expectations in their role.

New staff training is recognized with rewards payments.

Bonus money, Paid-Time-Off, company gear is provided for exceptional work effort.

4. Leaders proactively help train the employee while providing role clarity. Employees are provided best in class tools/job aides and effective job-training. Supervisors are provided ongoing training on how to best support employees as they work towards their goals.

Small rewards are provided during or at completion of onboarding.

Pre-imbursements are provided for out-of-pocket expenses.

The **Whistle Employee Needs Maturity Matrix** continued**Growth and
Mastery**

- Advanced learning
- Individualized development plans
- Effective mentoring

Maturity level

1. Learning courses are available on-demand
2. A general learning path is recommended. Compliance and success are monitored by the company and rewarded with timely bonuses. Tools and training are available to help employees complete their basic tasks. Career paths are available for all employees to pursue on their own
3. A personalized learning path is recommended. Employees are prompted to stay on track and are rewarded for growth. People are promoted based on past performance. Career development is focused on improving weaknesses.
A commitment to continuing education is evidenced by individual and/or team rewards.
4. Employees are proactively guided toward personalized career development plans based on prospective growth opportunities. They're provided all associated tools and training with reporting and accountability measures. Supervisors are provided AI-guidance, improving efficiency and effectiveness of staff development.
Additional training and career path options are sponsored by the company as a reward for exceptional performance.

The **Whistle Employee Needs Maturity Matrix** continued**Feeling
Valued**

- Affirmations
- Rewards
- Incentives

Maturity level

1. An employee of the month program celebrates performance. Mass communications designed to express appreciation for employees are produced monthly.
A points program is used for employee engagement where employees send each other points that can be converted to rewards from a catalog.
2. Spot gift-card bonuses are handed out by company executives. Company performance is communicated regularly, noting the importance of all employees. Milestones are celebrated and holiday gifts are provided.
3. Supervisors provide recognition to team members in an organized program. Employees are rewarded with generous incentive payments, profit sharing, bonuses, etc.
4. Micro-affirmations are meaningful, frequent, and pervasive throughout the culture. Intrinsic motivation is recognized and championed at all levels of the organization. Extrinsic motivators are used effectively without starving intrinsic motivators.
Badges are provided for behavior patterns such as improving the customer experience.

The **Whistle Employee Needs Maturity Matrix** continued

Belonging

- Social events
- Team superordinate goals
- Shared spaces

Maturity level

1. Employees work on teams, often with a shared goal. Employees are permitted to socialize during off time.
2. Employees have good working, individual relationships with colleagues. Employees are given some minimal time and space to socialize.
3. Teams work collaboratively, with minimal conflict and clear roles and responsibilities. There are dedicated spaces for shared activities, and the company organizes occasional events.
Teamwork is promoted through "lunch with a colleague" programs, where the company funds lunches.
4. Employees have deep personal relationships, demonstrating commitment to each other's success. The primary ego is the shared company ego. Employees have positive relationships that naturally extend outside of the workplace.
Team building funds are provided to build culture through team activities. Customers and patients are provided simple tools to express appreciation to staff.

The **Whistle Employee Needs Maturity Matrix** continued

Purpose and Meaning

- Line of sight to impact on customers
- Line of sight to impact on society
- Line of sight to impact on business

Maturity level

1. We explain our purpose to our employees through our corporate policies and communications.
2. The company mission is clearly documented and referenced. Employees see how their company has a positive impact on customers and/or society.
3. Employees are proud of the company's mission. The company invests discretionary resources towards improving the lives of others. Employees see how their individual role adds value for the company and/ or society.
4. Employees feel a direct connection to the values and mission of the company. The impact of each employee is clearly aligned with the mission of the company. Supervisors reinforce this connection regularly. The company invests significant resources in living out its mission, and aligns all actions towards the mission, even when it is inconvenient to do so. Charity budgets allow employees to support organizations that matter to them.

Specific Actions to Consider on the journey to level 4 maturity

Evaluate your company using the Whistle Employee Needs Maturity Matrix. For each employee need, your company should approximately map onto a maturity level. This can provide an objective measure of the current maturity of your organization.

Based on the findings from step 1, reflect honestly on which employee needs you are serving well, and which ones require attention. For those that require attention, the right progression of the Matrix provides ideas for specific improvements that can deepen the satisfaction of each employee need.

Prioritize the need areas and anticipated efforts that will likely lead to progression across the maturity levels. Evaluate the expected benefit against the effort and cost of each potential action. As you prioritize your initiatives, remember that shoring up lower-level needs should come first as that is table stakes for basic performance and retention. However, it's critical to also address higher level needs to realize the full potential of your most valuable resources.

If you are unsure of how to meet employee needs quickly and efficiently, consider partnering with Whistle. Whistle uses the Employee Loyalty Index to evaluate specific client needs and identify action steps, within our platform, to improve. Our software platform systematically delivers custom, integrated programs that can address all six levels of the Employee Hierarchy of Needs.

Employee engagement and productivity are quickly becoming the top priorities for corporations across the globe. Wages are rising in the midst of the great resignation, while employees are demanding a workplace that accommodates their needs. While it can seem that wage inflation is the only possible scenario, this is not the case. Compensation is not even in the top three reasons employees leave a company. Understanding the real drivers of engagement and productivity can yield massive benefits to the companies that spend the time and energy.

Understanding the true drivers of employee satisfaction and engagement enables companies to create an environment where employees thrive.

Contributors



Drew Carter

Chief Executive Officer

Drew brings a combination of executive leadership, business strategy, technical software experience and data analytics to his work. He has worked in large and small corporations, worked in industry building software products enjoyed by millions and served as a consultant helping companies better compete in the digital age. Throughout his career he has thread a keen understanding of commercial strategy with contemporary technology to deliver hundreds of millions of dollars of incremental value.

Drew.Carter@weWhistle.com



Laurel Newman

Chief Behavior Officer

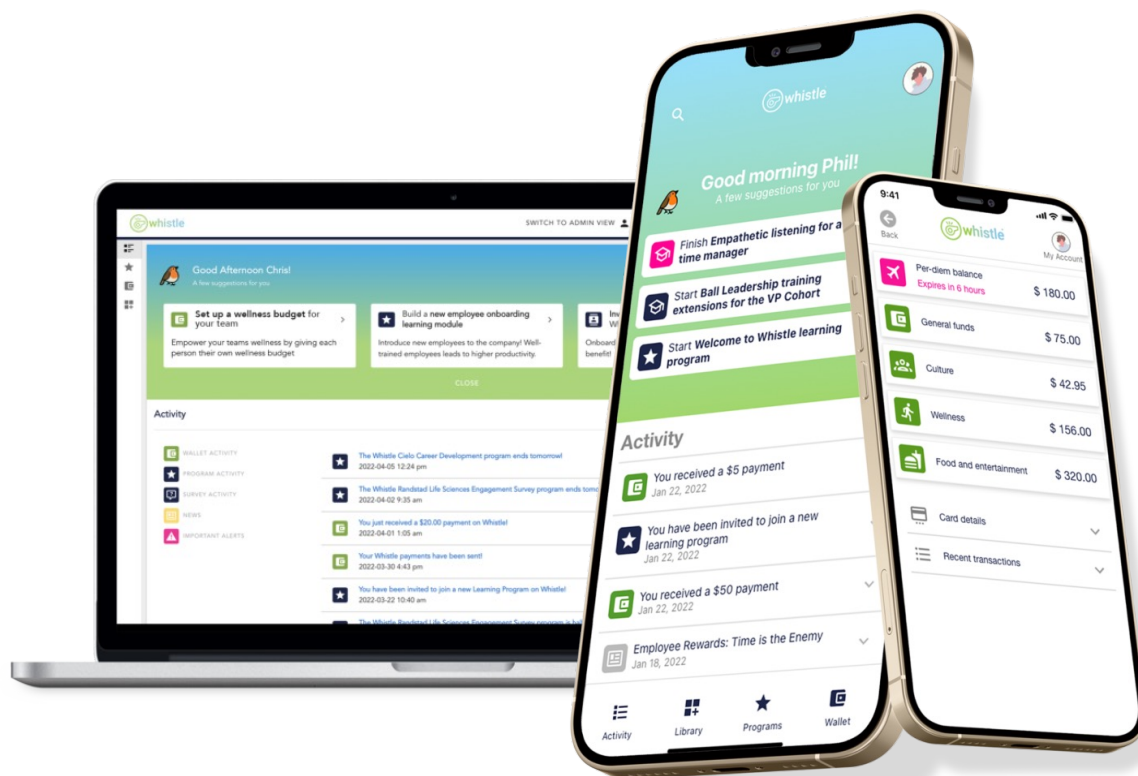
Laurel is a behavioral scientist who specializes in creating interventions that help companies to improve the experiences and change the behaviors of their customers and employees. Her experience as a Psychology Professor turned Applied Behavioral Scientist for a B2B company provides her unique insight into the variety of forces that impact people's thoughts, feelings, and behavior.

Laurel.Newman@weWhistle.com

About Whistle

Whistle helps companies create employee loyalty. From better onboarding to employee payments, remote team engagement to learning experiences – the Whistle platform integrates the key elements that create employee loyalty, and better business outcomes.

Simple. Easy. Just whistle.



SIGN UP FOR FREE

Or contact us to learn more and how we can help improve your employee loyalty.

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Meaning

Belonging

Feeling Valued

Growth and Mastery

