

Should You Pay Your Employees to Quit?

By John Boudreau

Appeared in CFO Magazine, April 2014

Amazon does, hoping to weed out unhappy workers. But the real payoff from such an offer should be getting smarter about employee turnover.

You may have heard that Amazon is offering [to pay employees \\$5,000](#) to quit their jobs. The company says that when someone doesn't really want to be there, it's not healthy for the company or the employee.

CEO Jeff Bezos told of the program in a letter to shareholders. The offer comes once a year. The first year it's made to a particular employee, it's for \$2,000. Then it goes up \$1,000 a year until it reaches \$5,000. It's a real offer. But the headline on it is, "Please Don't Take This Offer."

"We want them to stay," Bezos wrote. "The goal is to encourage folks to take a moment and think about what they really want."

I imagine more than a few CFOs are asking questions just now. First and foremost: Is there an ROI? But also, on the assumption that the concept may well be sound because Amazon does a lot of things right, they may be asking: Is \$5,000 the right amount to get the job done, or should we, [like Netflix](#), give generous severance packages to merely adequate performers? And, should the offer go to all employees, or only the ones you want to leave?

Those may be interesting questions, but they don't get at the real reason a pay-to-quit offer might have solid value.

It might save your organization the cost of a long process of documenting poor performance before firing people. In that case, it may be a very good investment indeed. On the other hand, [research shows](#) that the best performers, who probably have the best alternative job opportunities, likely will react to such an offer by pausing and considering whether they should stay or go — even if they hadn't actually been thinking of moving.

That sounds like a bad thing, but it really isn't. That is, the offer may well spur high performers to talk with their managers about how they see their jobs. The conversations could encompass things like employee fit and performance, how Amazon competes in the market for the best performers, and what really gets great performers to stay (and poor performers to go). That's the real payoff. Absent the pay-to-quit offer, managers might just keep on with their uninformed or unsystematic habits about employee turnover and retention.

The fact is, many organizational leaders and managers are fairly clueless about what employer turnover rates mean. Indeed, turnover rate is a dangerous statistic without the knowledge to understand it. We've all heard that "what gets measured gets done," but organizational measures

of turnover [get scant attention or are widely misunderstood](#). What ends up “getting done” is reducing employee turnover. Yet [research shows](#) that reducing turnover may not improve productivity.

The point is not whether \$5,000 is the right number. A better saying is, “what gets *monetized* gets *analyzed*.” A financial transaction focuses attention in a way that HR turnover reports probably never would. How would your managers respond if their best employees asked, “Why shouldn’t I just take the \$5,000 and go?” I suspect that if they got that question every year, they’d be a lot savvier about their talent pipeline.

Turnover rate is really only one vital element in your talent pipeline for getting and keeping the people you need, and correcting mistakes when you get it wrong. Leaders should approach employee turnover more like inventory management, quality control and supply chain — that is, [optimize their talent pipeline](#) with a balance of things like probationary periods for new hires, severance packages, targeted layoffs, performance management and, yes, pay-to-quit.

The bottom line on pay-to-quit? It may be an investment you should consider — but not for the reasons you suspected.

[John Boudreau](#) is professor and research director at the University of Southern California’s Marshall School of Business and Center for Effective Organizations, and author of [Retooling HR: Using Proven Business Tools to Make Better Decisions About Talent](#).