Career Nomads
More than a temporary asset
# Table of Contents

Executive summary ........................................... 3  
Adjusting to a new trend ........................................ 5  
Talent at what cost? ............................................. 6  
Strong management practices optimize talent investment ............................................. 9  
How organizations are responding ............................................. 10  
How to make career nomadicity work for everyone ............................................. 13  
A way forward ................................................. 15  
References .................................................... 16  
Contributors .................................................... 17
Executive summary

The social contract between people and organizations is changing. We have seen an increased focus on the subject of “career nomads”—talented individuals switching jobs, organizations, and even careers at a faster rate than others.

Given the current and foreseen economic and employment climate, a key consideration for organizations today is to what extent are career nomads considered an asset or liability to the company. To address this question, we surveyed 162 organizations and 683 individuals about their attitudes and preferences regarding career nomadicity. We also interviewed talent leaders from several companies within the healthcare, industrial, consumer goods, and technology industries, as well as Korn Ferry search partners, to better understand an organization’s experience with career nomads, given this backdrop.

Among our key findings:

**Career nomads seek to leverage their existing skills and are more passionate about organizational purpose than non-nomads.** Competent and visionary leadership, as well as a robust suite of financial and non-financial rewards, help attract and retain career nomads for longer tenures. Moreover, nomads are more likely than non-nomads to leave an organization for poor treatment of employees.

**Certain personal characteristics contribute to nomadic behavior.** Top amongst them are intellectual curiosity, influencing skills, openness to differences, and tolerance of ambiguity. People with a high tolerance for ambiguity, for example, are on average 2.5 times more likely to be a career nomad, while people who are highly curious are on average 2.2 times more likely to be nomadic.

**Career nomads are not considered a differentiated asset for hiring.** Instead, talent leaders and Korn Ferry search partners confirm that, in general, companies prefer to develop talent from within, especially at executive and managerial levels. But there are situations that may be more ripe for hiring nomads. Functions such as IT, marketing, digital technology, emerging technologies, new markets, and business units (think B-to-C) could potentially benefit from the more diversified experience that career nomads bring.

**Hiring career nomads is an acknowledged risk.** No organization wants to lose precious talent after investing substantial amounts in acquiring it. However, our research shows that companies may often ignore the benefits of having nomads in the workforce. These gains arise because nomads are high potential, have more diverse experiences, and are more adaptable to different situations.

Although our research has found that job-hopping among younger workers is nothing new, there are a few reasons why they’re drawing more attention today. Rapid changes in technology and shorter business cycles play into more frequent job switches. And since the last recession, workers have become more concerned that their employers don’t care about them, which means they have become less loyal to their workplace.
Finally, a strong economy with lower unemployment rates reduces the risk of professionals changing careers at a faster pace. The Korn Ferry Career Nomad Cost Calculator can help companies understand the financial impact career nomads have on their organization, and what can be done to reduce cost and leverage this talented group.

Korn Ferry’s Career Nomad Calculator

How do we calculate the cost and benefit of career nomads to companies?
The Career Nomad Calculator estimates the potential net costs and benefits of hiring nomads based on a company’s industry, workforce size, and annual revenue.

Using this information, we apply data from other sources including Bureau of Labor Statistics, Statista, Glassdoor, LinkedIn and Korn Ferry. We provide initial industry specific estimates for a company based on multiple sources. Any of these numbers may be adjusted according to company-specific circumstances:

- percent of full-time vs contract/contingent workers
- average compensation: average annual wage for full time employees, and average hourly wage for contract/contingent workers
- percentage of jobs at low or medium complexity: 40-80% low complexity jobs and 20-60% medium complexity jobs, depending on the industry (0.1% are high complexity roles such as CEO and executive leadership team)
- expected turnover rates
- percentage of career nomads: top quartile of voluntary quits (the high potential and high performing subset of total quits)

Once company specific adjustments are made, we can calculate total net cost and benefit of career nomads to that organization.

How do we calculate the potential benefit career nomads bring to a company?
Career nomads are high potential, high performing workers who are more productive than the average worker, given their learning agility and diverse skill set.

We calculate potential benefit with two factors:

- improved productivity: career nomads create 15% to 33% more value for their companies, depending on job complexity
- increased productivity by reducing length of time to fill hard-to-fill positions: tapping career nomads for difficult-to-fill positions can reduce time to fill by 10 days (a conservative estimate)

Adding these two together gives us the total potential benefit of career nomads for a company.

How much do career nomads cost an organization?
Given that career nomads change jobs more frequently than average, turnover costs increase. We look at two factors to determine total cost:

- The cost of replacing career nomads who leave. Estimated cost of replacement is 50% of annual salary for hourly wage earners, and 75% of annual salary for full-time employees.
- The opportunity cost (losing what career nomads could have contributed had they stayed). Productivity lost is calculated by adding up the 15% to 33% productivity surplus created by nomads, for every nomad expected to leave.

We take these two costs for career nomads expected to leave the organization within one year to get total cost. Finally, we calculate net benefit of career nomads by subtracting the total cost from the total benefit estimated above.
Adjusting to a new trend

Job-hopping, career mobility, transient workforce. Career nomads, by any name, are making an impact on workforce trends. But is this a new phenomenon or are today’s contextual factors capturing our attention?

The trend in median job tenure has been slowly increasing over the last 10 years—from 4.1 years in 2008 to 4.2 years in 2018, with a peak at 4.6 years between 2012 and 2014. In the mid-1990s, the median job tenure was 3.8 years, almost 18% lower than the peak this past decade.

Yet, as job tenure increases, so does the crowd of job hoppers. Unemployment rates have decreased 50% since 2013, which has led to a 25% uptick in the number of people quitting their jobs and moving on. This climb, combined with the wave of younger workers entering the labor pool, has many of us noticing the job-hopping trend.

Figure 1. Career nomads are found across industries.

Top 4 industries with the highest % of career nomads

<table>
<thead>
<tr>
<th>Industry</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel/Leisure/Hospitality</td>
<td>17%</td>
</tr>
<tr>
<td>Transportation/Logistics</td>
<td>15%</td>
</tr>
<tr>
<td>Consumer Goods - Retail</td>
<td>11%</td>
</tr>
<tr>
<td>Natural Resources</td>
<td>10%</td>
</tr>
</tbody>
</table>

Career nomads are high-performing people who proactively move from job to job, changing roles, companies or even careers more frequently than the average worker. They are talented, learning oriented, sought-after professionals who seek challenge, not content to stay in one place.

Korn Ferry research shows that certain personality traits, including tolerance of ambiguity, curiosity, influence, openness to differences, optimism, and confidence are the strongest predictors of nomadic behavior. People with a high tolerance for ambiguity, for example, are on average 2.5 times more likely to be a career nomad than a person whose tolerance for ambiguity is low. Similarly, people who are highly curious are on average 2.2 times more likely to be nomadic than their less curious counterparts. These statistics, of course, are not surprising given that tolerance of ambiguity and curiosity are two qualities common among highly learning agile people.
Figure 2. People with certain personality traits are more likely to be career nomads.

<table>
<thead>
<tr>
<th>Personality Trait</th>
<th>X times more likely to be a career nomad</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tolerance of Ambiguity</td>
<td>2.5X</td>
</tr>
<tr>
<td>Curiosity</td>
<td>2.2X</td>
</tr>
<tr>
<td>Influence</td>
<td>2.1X</td>
</tr>
<tr>
<td>Openness to Differences</td>
<td>2.1X</td>
</tr>
<tr>
<td>Optimism</td>
<td>1.6X</td>
</tr>
<tr>
<td>Confidence</td>
<td>1.6X</td>
</tr>
</tbody>
</table>

Based on data from KFALP results (N=105,486). All effects identified above are statistically significant (p<0.05)

1. Individuals who scored “high” in a trait are those who fell within the top quartile, as compared to the “low” scoring individuals within the bottom quartile.
2. “Career nomads” are identified as the individuals who fell within the top quartile of their age group in at least two of the following job, experience indicators—number of organizations, functional areas, industries they worked in. The comparisons were conducted within the same age groups (18-25, 26-35, 36-45, 46-55, 56-65, 65+).

Obviously, hiring people with these qualities has a strong upside. But the cumulative cost of losing talent that the company has invested in is real. Shorter tenures for high-potential people means that organizations see a double loss: first, when they lose a fully productive worker who could have had a greater impact over time, and second, in the time and money it takes to recruit, hire, and onboard another worker as a replacement.

**Talent at what cost?**

Traditionally, companies have tried to reduce turnover—specifically, “regrettable” turnover—for high-performing talent that’s pivotal to business stability and growth. But with people moving to new jobs every four years or so—averaging 12 to 15 jobs over the course of their careers—it’s no surprise that organizations are wondering: how much is this costing our business?

Costs of nomadic behavior arise because these high-potential people leave their positions at a greater rate than others. This results in higher costs of replacing talent, as well as lost productivity from losing high-performing workers. For the Fortune 500 companies we analyzed:

1. Replacing talent costs can range from 50% to 75% of the position’s annual salary, after accounting for recruitment, training, onboarding, and other related expenses.
2. Lost productivity and opportunity costs may range from one-quarter of the annual salary (lower level, less complex roles) to 2.5 times the pay (higher level, specialized, executive leadership roles).
On the other hand, career nomads provide benefits by carrying higher potential. What’s more, companies may benefit from hiring job hoppers by reducing their time to acquire talent. For Fortune 500 companies:

1. Natural Resources often gain the most from nomads in this asset-intensive industry—up to 5 times the annual salary. Healthcare and Transport & Logistics benefit the least—half to two-thirds of annual salary.
2. Reducing time to fill roles with internal career nomads can save a company up to one full year’s salary for a position.

Consider a large banking institution with 250,000 employees, a 20% turnover rate, and $100 billion in annual revenue. By our estimates, career nomads account for 13% of this turnover, costing the company $525 million due to shorter tenures and rehiring costs. Yet, considering these nomads are high performers, they will also benefit the company to the tune of $480 million. Hence, the net cost of nomadicity is only $45 million.

If the company can retain these career nomads by enhancing its talent management strategies, then that net cost may turn into a net benefit. For example, by improving opportunities for career advancement, the banking institution may be able to reduce its turnover by as much as 21%. This reduction can decrease the costs associated with replacing nomads and turn the net cost to a net benefit of $66 million.

Figure 3. Career nomadicity can be an asset or liability to organizations.

**Higher turnovers from these high-performing individuals are costlier.**

- Cost of replacing career nomads talent ranges from 50% – 75% of the position’s annual compensation
- Lost productivity before replacement ranges from 0.25X – 2X of the position’s annual compensation

**However, companies benefit from increased productivity from these talented individuals.**

- Additional surplus value created by career nomads ranges from 0.5X – 5X of the position’s annual compensation
- Reduced time to fill high-value positions provide a benefit of up to One full year of the position’s annual compensation
Indeed, among Fortune 500 companies, 44% see an average cost of $58 million each year due to career nomadicity, while 56% see an average net benefit of $46 million per year. So, what separates those companies that use career nomads to their advantage from the ones unable to capture the potential value nomads bring?

One basic distinction is the revenue per employee. Most likely to benefit from career nomads are the 111 Fortune 500 companies earning more than $1M in annual revenue per employee; most likely to see costs are the 165 Fortune 500 companies that make only $100,000 to $500,000 per employee. Presumably, organizations that are more capital intensive are better suited to take risks on superstar talent, either keeping them challenged enough to extend their tenure or leveraging the ideas and changes they introduce in their shorter than-average stay.

**Figure 4.** Fortune 500 companies with higher annual revenue per employee tend to enjoy higher net benefits from career nomadicity.

Another difference is industry. Both Communications and Energy & Utilities see a positive net benefit from career nomads: 96% and 86% of companies, respectively. But for industries like Industrials and Advanced Technology, whether it's a net benefit or a net cost could be a toss-up: 52% of Industrial companies see a net benefit, while 49% of Advanced Technology companies see a net benefit.
Strong management practices optimize talent investment

Organization size and industry only tell a part of the story. Companies investing in best-in-class talent management practices can reduce the overall cost of career nomads by enticing them to stay longer or to move around within the company.

Significant improvement in the following talent practices can decrease labor costs by up to 77%, on average:

- **Career development**: 21% reduction in cost when employees have opportunities to do challenging work, achieve their goals, and advance their careers.
- **Work-life balance**: 13% reduction in cost when employees have space to follow their passions and bring their best selves to work.
- **Leaders and managers**: 11% reduction in cost when employees feel supported and inspired by their leaders.
- **Employee well-being**: 9% reduction in cost when employees feel their health and wellbeing are valued.
- **Compensation and benefits**: 9% reduction in cost when employees are paid fairly and competitively, and benefits align with what they value.
- **Job characteristics**: 8% reduction in cost when jobs are designed to be challenging, with the appropriate authority, autonomy, and responsibility.
- **Work environment**: 6% reduction in cost when employees are energized by the workplace and how it’s organized, as well as feel empowered to make decisions.

But these best-in-class practices don’t only help companies reduce the cost of career nomadicity; they also increase engagement and commitment from less nomadic employees.

Overall, both frequent job hoppers and job stayers have similar priorities. They want to do interesting and meaningful work, leverage their strengths, earn more money, achieve their goals, and advance in their careers. Both will stay longer at an organization that offers challenging and rewarding work, pay/benefits, opportunity for advancement, and competent leadership. And they cite similar reasons for leaving: if they are bored or not challenged, employees are not treated well, or the company is not well organized or well managed.
Still, there is a subtle difference in what job hoppers and job stayers prioritize most. Job stayers focus more on learning new skills, advancing their careers, and increasing their earnings. They often stay because the company has a good reputation. And they will leave if they don’t see opportunities for career advancement.

Job hoppers, on the other hand, want to leverage their strengths and align with the company’s purpose. They stay if the work is rewarding, and are working for competent, inspiring leaders. They do not tolerate poor leadership or poor treatment of employees and won’t hesitate to leave those conditions.

How organizations are responding

Companies without strong talent management practices may be less able to attract or retain career nomads.

Seemingly, some organizations do not lament the missed opportunity: around 33% of companies we surveyed reported that they are what could be characterized as “pedigree purists.” In other words, these organizations are less likely to hire people with nontraditional career paths and don't value candidates with multidisciplinary backgrounds. Hiring decisions at these companies put more weight on industry or functional expertise than learning orientation.

But one-third of organizations are very interested in what career nomads offer. These “mobility- and agility-minded” companies are more open to nontraditional candidates and prefer multidisciplinary experiences. They are more likely to value learning agility and less likely to get stuck on the number of years spent in a
specific job or field. What's more, these organizations are more likely to move people from one functional area to another within the company—a practice that not only keeps career nomads engaged, but also builds generalists and leaders with a broader enterprise perspective.

The remaining third were “moderate,” not indicating strong preferences in one direction or the other but towing the neutral line. For these organizations, “it depends.”

The 162 companies that responded to the Career Nomad survey, the interviews with talent leaders at several major companies, and conversations with Korn Ferry search partners illuminated three balancing acts that companies are engaged in when it comes to career nomads:

**“Goldilocks’ ‘not too hot, not too cold, just right’” principle.** Both companies and Korn Ferry search partners believe that there is a right balance to strike between hiring talent who have had “too many” jobs and those who’ve had “too few.”

Staying at one place could indicate a lack of initiative and growth—or, put another way, stagnation. On the other hand, hopping around too frequently can appear avoidant, distracted, and sow doubt as to whether the lessons of experience were absorbed in each role. But there is a sweet spot: the “just right” amount of variety and stability on a person’s resume.

> “Three years minimum at a company or role, with maybe one one-off is acceptable. Even with a story, it could be questionable—people get one free card or ‘pass’ on this. If it’s a short time, they would barely see a fiscal year—people need to see the fruits of scalable initiatives like culture or transformation. On the other hand, if they’ve been at one company for 20 years, it’s ideal to move around within.”

—Global talent lead at a global healthcare company

**“Have my cake and eat it too” principle.** Talent leaders and Korn Ferry search partners acknowledge that they want a workforce of highly learning agile people with a variety of experiences, but who are also deep experts with a strong track record in a specific function or industry. Of those surveyed, 85% value people with multidisciplinary backgrounds, while 93% prefer candidates with deep knowledge and expertise in their field. Recognizing that these can be competing criteria, organizations may select for subject matter expertise and use internal moves to develop for breath and enterprise perspective. Alternatively, companies with leading-edge functions and business units may select for learning agility and train for depth through intensive—and sometimes lengthy—immersive specialty training programs.

> “There has been a lot of talk about learning agility, what it means, how it drills into specific behaviors. But when push comes to shove in technical industries—we still overly weigh knowledge skills and experience in the EXACT area we are trying to fill. This has been a frustration of mine but also other professionals who know that there are generalists who could really benefit from areas that need transformation.”

—Global talent lead at a software firm
“It depends…” principle. When push comes to shove, most companies do not view career nomads as a differentiated asset when making external hiring decisions. Despite valuing learning agility, organizations tend to favor depth of knowledge, skills, and expertise; only 23% think that working for many different companies helps people get hired. This perspective opens up when there is an acute shortage of talent, and the company needs to close a capability gap or fill an entirely new role. Second-tier companies without the employer brand recognition can’t be as selective with talent and are more likely to welcome career nomads as a result. Additionally, some functions like IT and marketing are known for having a higher rate of nomadcity.

“It depends on the business and the workforce. If you are running a shipping company versus an IT company, the expectation of loyalty isn’t the same. The IT manager who leaves and comes back to the insurance company is more valuable after a tour of high-tech companies, and experience with artificial intelligence.”

—HR expert and total rewards consultant at a professional services firm

“If the companies the person stayed at for a short time are less prominent, smaller, there is less tolerance of moving—it’s questionable in people’s minds. With more prominent brands and larger companies, hiring managers feel that, even with a short tenure, they will be acquiring a person with a window into how those companies operate, and then they are more forgiving.”

—Global talent lead at a global healthcare company

But there is an additional layer that, in some ways, complicates these balancing acts: early career and generational bias.

Most people may assume that younger professionals are the ones most likely to job hop, but the data tell a different story. Although career nomadcity may have been an uptick in recent years, the median job tenure is actually higher than it was in the early ‘90s. Americans born in the early 1980s held an average of 7.8 jobs from ages 18 to 30, while baby boomers (those born between 1957 and 1964) held 8 jobs during the same age period.

“There is a pretty strong bias that job hopping is a millennial thing. It is not something that should be tolerated beyond very early career.”

—Global talent lead at a software firm

That’s why context is everything: rapid technological advancement, the speed of the business cycle, and the way that organizations are altering the social contract (reducing long-term incentives and increasing layoffs in a bid to create a more fungible workforce) may have us on extra alert for transient workers.
These trends, along with the social acceptability of moving around in early career roles, creates the perception that this is about millennials. But in reality, what may be perceived as a generational effect is more likely explained as a life stage and career stage effect.

“The mechanics of this are changing—but it’s been around. People our parents age would talk about career nomads. Where did it come from? A lack of stability? Did they take control or power of their career? The interaction is bi-directional. Pulling it apart to say, ‘We need to understand how we got here.’ Maybe it’s a serious concern, but at the root of it is something perennial—‘I want to be somewhere people can contribute and not get bored.’”

—Global talent lead at an industrial firm

How to make career nomadicity work for everyone

Companies are looking for ways to optimize the impact of career nomadicity. They want to attract and retain high-performing people who can learn new roles and skills quickly. Organizations can proactively create an environment that is hospitable to career nomads—a place that might entice job hoppers as an employment destination.

**Update rewards and benefits.** Today’s labor environment and associated supply-and-demand dynamics are placing upward pressure on compensation levels. Because they don’t plan to stay at one job for too long, external nomads typically want their cash up front—particularly in base salaries, hiring bonuses, and other guaranteed incentives. Highly leveraged short- and long-term incentives are just not as attractive to job hoppers as other compensation vehicles.

Don’t discount the importance of non-financial rewards. Nomads typically want a meaningful role in a great company and a great brand, and may also want balance with community involvement, giving back, and social impact. Quite often, these nonfinancial rewards can tip the scales between choosing one organization over the other. Leverage meaningful non-financial rewards in the overarching employee value proposition in order to reap the benefits of career nomadicity.

**Increase internal nomadicity.** Organizations can seek to thwart a person’s tendency to be “externally nomadic” once they join the organization (in other words, try to keep this recently hired talent challenged and engaged). As a result, some companies look to develop “internal career nomads” as a source of competitive advantage. They recognize that they need to balance both depth and scope of knowledge and capabilities in order to win in the market. To build breadth in experience, focus on selectively moving talent around internally—from business-to-business, region-to-region, or function-to-function. For small organizations, consider cross-training and moving internal talent between related, but adjacent, roles.
**Match company needs with career nomads.** If roles are new or hard to fill, hiring talent that has experience getting up to speed—and fast—could be a good option. External nomads can help fill capability gaps that organizations need to bridge (think leading new technologies, markets, or business units). This is especially important for second-tier brand companies that often can’t be as selective about talent as market leaders. But don’t take the lack of brand equity as a disadvantage: hire and leverage job hoppers who are being overlooked by others. Career nomads, after all, are perfectly suited to step in and learn quickly in an ambiguous position.

**Get better at managing turnover.** Many organizations view low turnover as a good thing—and in many cases, it is. But some companies with low turnover rates don’t effectively manage people out of their organization who should be exited and aren’t taking full advantage of the outboarding experience. Most organizations, then, can raise their game in the quality of exit interviews. More often than not, companies aren’t getting to the real underlying issues for turnover, nor do they have the right people interviewing the departing employee. As a result, turnover is not effectively score-carded and reinforced with executives, which leads to a lot of helpful feedback walking out the door. Look at turnover policies and practices and see where improvements can be made. Be more intentional about understanding—and addressing—why people leave and how they translate into areas of growth for the organization.

**Leverage contingent employees.** When companies think creatively about resourcing the capabilities they need, it opens up the possibilities for leveraging fresh perspectives and skillsets that may not have been developed internally. When strategizing about buy, build, or borrow for your talent needs, consider borrowing for highly technical and evolving skillsets. Or, hire the career nomads, bring them in house, and go into the agreement with eyes wide open. After all, even though they are on the books, they are high-value contractors, lending themselves to your company for a period of time. The benefit will outlast their tenure if the culture of the organization allows them to introduce ideas and changes that expand their colleagues’ minds.

**Disrupt traditional talent management practices.** Innovative people practices—like an internal talent sharing platform, offering a diverse and inclusive culture, and empowering self-determined people to increase productivity—all provide reasons for career nomads to stay. Companies that have a purpose that taps into personal purpose are also more likely to see higher work engagement and organizational commitment. To benefit from nomadicity, implement best-in-class talent management practices that attract those fearless professionals and get them onboarded as quickly as possible to boost productivity. And with these practices happening around them, career nomads may not feel the need to go anywhere else.
A way forward

Job hopping is not new. But today’s workforce has more choices and more reasons than ever before to gather experiences and satisfy their curiosity and need for challenge.

Companies have choices, too. Hiring preferences that lean toward deep subject matter expertise may be passing up candidates with the futureproof agility that could make them an asset when new businesses and roles are created. Looking ahead, it is possible that 80% of jobs in 10 years don’t even exist today. If that is the case, career nomads will be the talent pool most ready to tackle something new and adapt quickly to meet business needs. In the meantime, companies can increase the net benefit in revenue generated from career nomadicity by improving their talent management practices.

Given the changing nature of work, companies are seeking more flexibility in their full-time workforce. At the same time, people are responding naturally to what could be considered less security by putting a positive spin on it: more freedom, more variety, more challenge, please!
References


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The Korn Ferry Institute, our research and analytics arm, was established to share intelligence and expert points of view on talent and leadership. Through studies, books, and a quarterly magazine, Briefings, we aim to increase understanding of how strategic talent decisions contribute to competitive advantage, growth, and success. Visit kornferryinstitute.com for more information.