HUMAN CAPITAL AND “THE BEST PLACES TO WORK”

Research appearing in the *Academy of Management Journal* shows that certifications, such as achieving the “The Best Places to Work” designation, signal labor markets regarding the quality of the relationship between employees and employers. This signal directly affects the organizations human capital flow. However, the effect of such certifications is nuanced. These signals reduce turnover rates and increase applicant pool quality, but the applicant pool quality increase appears to depend on firm size and the scarcity of jobs.

Using data collected between 2011 and 2013 from a company that conducts “Best Places to Work Competitions”, researchers found that higher rankings on the “Best Places to Work” certification resulted in lower turnover and in some situations increased applicant pool quality. Applicant pool quality increases occurred when smaller firms achieved certification and when jobs were relatively scarce. Further, higher rankings on the certification (e.g., eighth position versus fifteenth position) increased the signaling benefits.

However, the research team also found that a single certification seemed to account for most of the effects. Specifically, one certification reduced turnover, but there was not a statistically significant effect on turnover when there were two certifications compared with only one certification.

Their analysis statistically controlled for aspects of the environment (like geography), the firm (like salary, diversity, and HR practices), and firm history (like prior turnover rates). The authors suggest that future research is needed to learn about the manner in which certifications, such as the “Best Places to Work” affect individual attitudes and the spread of these attitudes across the workforce.

**Key Takeaways:**

- “Best Places to Work” certifications are associated with reduced turnover and higher rankings lead to less turnover.
- “Best Places to Work” certifications result in increased applicant pool quality for smaller companies, but not necessarily for larger companies.
- “Best Places to Work” certifications result in increased applicant pool quality when job openings are scarcer.