Tackling recruitment and retention issues

Michèle Dennison
MD Management Development

People In Aid
Email: info@peopleinaid.org
Web: www.peopleinaid.org

©People In Aid 2006

Disclaimer
The information contained in this document is provided for information only and does not constitute advice. Neither the author nor the publishers accepts any responsibility for how you use the information and strongly recommends seeking suitable (legal) advice before implementing employment policy, as there may be specific legal implications in the countries in which you operate.
Table of Contents

1. Introduction ............................................................................................................. 1

2. How do you know if you have a problem? ...................................................... 1
   Staff turnover – what’s all the fuss about? ......................................................... 1
   Measuring employee turnover ........................................................................... 2
   The cost of a loss ................................................................................................. 3
   Diagnosing the problem – why do people join and leave? ............................... 3
   Recruitment and retention diagnostic tool ......................................................... 5

3. A strategic approach to resourcing ................................................................. 7

4. Resourcing for now and the longer term .................................................... 8
   Understanding your offer ................................................................................... 8
   Using Competencies .......................................................................................... 9
   Communication and Employer Branding ......................................................... 9

5. Employee Retention ......................................................................................... 10

6. References and additional useful sources of information .......................... 13
1. Introduction

This guide has been written to accompany a workshop of the same name and provides a documentary reference to the information and themes covered in the event. It is therefore arranged under the same headings as those which were addressed during the day and in the same order.

The aim of the workshop and this supporting document is to offer a starting point for discussion and learning by collecting research, good practice methodologies and case study experience on the theme of recruitment and retention. It does not aim to provide all the answers or to offer a single “best practice” solution that will work for all organisations. Rather it is hoped that it will stimulate debate within agencies to explore and develop solutions that are appropriate to individual circumstances.

2. How do you know if you have a problem?

Staff turnover – what’s all the fuss about?

Ask almost any HR professional in the INGO sector in virtually any part of the world what their most pressing issues are and they will probably answer, “recruitment and retention”. However, behind this answer lies a wide variety of complex issues making it a difficult problem to unravel and tackle. Is recruitment and retention really such a problem and why?

The UK’s Chartered Institute of Personnel and Development (CIPD) reported in their Recruitment, retention and turnover survey 2005 that staff turnover in the UK across all sectors was running at 15.7% and has remained stable for the past three years. “Contrary to many media reports and statements from consultants and political leaders there is little evidence of any long-term trend towards higher staff turnover. A third of employees in the UK have been in their current jobs for over ten years, while 10% have stayed for over twenty years. Average job tenure has remained remarkably stable over the last thirty years, falling among men but rising among women.”

This figure varies considerably by sector however. The highest turnover levels are to be found in the private sector at 21.4%, and over 50% in lower skilled and lower paid areas such as retailing, hotels and restaurants and call centres. The UK public sector has an average turnover of 11.5%. Turnover rates for the Voluntary/not-for-profit sector were 15.7%.

85% of all organisations in the UK had difficulties recruiting during 2004 with the voluntary/not-for-profit sector experiencing the most frequent problems, particularly in managerial and high skill areas. The most commonly cited reason for staff turnover is promotion outside the organisation (53%) with lack of development or career opportunities the next at 42%.

So how does this compare with the International humanitarian relief and development sector? The annual People Count benchmarking survey of UK voluntary sector organisations carried out by Agenda Consulting reported figures for 2005 that were above the UK national average for some categories, considerably so in certain areas.
But what does this actually mean? When does turnover signify a problem?

It is a mistake to view all employee turnover as negative. Some turnover is beneficial to organisations, for example if a poor performer is replaced by a more effective employee, or when an internal vacancy is created which offers an opportunity for promotion and career development or for introducing new and fresh ideas from outside. Some moderate turnover can also help manage costs by leaving a vacancy unfilled for a short period.

There is no magic number at which turnover becomes problematic to an organisation. It is when it starts to inhibit or put at risk delivery of the business agenda effectively that it becomes a management concern. For example where employees are relatively easy to come across and train cost effectively organisations can sustain high turnover rates without compromising quality of output. Where skills are less commonly available, where recruitment is costly and takes time to fill vacancies, and where the disruption caused by a series of short term incumbents or leaving posts unfilled for any period presents a risk to effective programme delivery, then the issue is more serious.

**Measuring employee turnover**

In order to make a useful comparison with other organisations the CIPD recommends tracking basic turnover rate month by month or year by year using the following formula:

\[
\text{Total number of leavers over period} \times 100 \\
\text{Average total number employed over period}
\]

The resulting total includes all leavers, even people who left involuntarily due to dismissal, redundancy or retirement. It also makes no distinction between functional (i.e. beneficial) turnover and that which is dysfunctional.

This method of calculation is used by many surveys of employee turnover, however it is also helpful to collect and track data on voluntary turnover and reasons for leaving so a more sophisticated analysis can be conducted. Categories that can be useful include: seniority, experience (types of roles), geographic locations.
The cost of a loss

It is possible to work out the average cost of replacing an employee with a new starter for each of your major employment categories. By multiplying this figure by the turnover rate for the group it is possible to calculate the annual cost of turnover.

Items to take into consideration are:
- administration of the resignation and the resulting recruitment and selection process
- direct recruitment costs eg advertising, travel
- selection costs
- cost of covering during the period in which there is a vacancy
- induction training for the new employee.

Some of these are opportunity costs such as management or administrative staff time, however direct costs can also be large such as media advertising, recruitment agency fees etc.

Once all these factors are taken into account the cost of a loss to the organisation can be as much as a year’s salary for some positions. Multiply this by a high turnover rate and the financial implications becomes very stark.

Diagnosing the problem – why do people join and leave?

Identifying and measuring turnover and ‘hot spots’ of recruitment difficulties is a useful starting point to identify whether a problem exists. However, this highlights the symptom rather than the root causes.

Employees are motivated to join and to leave an organisation for many reasons. Sometimes there is the ‘pull’ of a more attractive opportunity than the current job, sometimes dissatisfaction with current role or organisation acts as a ‘push’. Sometimes it can be a mixture of both. There are also some people who leave for purely domestic or personal reasons.

“Recent research strongly suggests that push factors are a great deal more significant in most resignations than most managers appreciate. It is relatively rare for people to leave jobs in which they are happy, even when offered higher pay elsewhere. Most staff have a preference for stability.” CIPD, 2005

There is an old adage that people do not leave their organisation, they leave their manager. However, this is not always picked-up in exit interviews which may be conducted by that very manager, and on whom the employee may be relying for a reference. The CIPD recommends that exit interview should be carried out as soon as possible after a resignation and by someone other than the line manager to encourage open and honest feedback.

A lack of training and developmental opportunities is also major reason for voluntary turnover.

Recent research conducted with employees engaged in emergency and humanitarian work found that in addition to the areas above, poor leadership, work life balance, and engagement issues play an important part in decisions to stay or to leave an organisation. A combination of high workloads and lack of clear leadership that models the organisation’s values can lead to burn-out and disillusionment.
In addition the sector is still characterised by the extensive use of fixed term contracts, some of which are relatively short, even for some senior positions. This is driven primarily by the funding structure of many agencies and introduces an additional dimension which can further aggravate what is a challenging recruitment and retention environment to start with.

The following check-list offers a list of areas to consider when identifying the root causes of recruitment and retention problems.

**Separating symptoms from causes**

In considering recruitment and retention issues, there is a need to focus on:

- The reasons for recruitment difficulties
- Whether the potential pool of candidates can be widened
- Selection methods and criteria
- Use of electronic recruitment and selection
- Methods to enhance retention including the organisation’s overall offer.

Some examples under these headings are given below.

**Reasons for recruitment difficulties** Some common reasons include: lack of specialist skills required, poor quality applicants, wanted higher salary than offered, no applicants, losing applicants to competitors, image of sector/employer, cost of living, applicant’s attitude was inappropriate, lack of required formal qualifications, poor interpersonal skills

**Widening the potential pool of candidates** Common solutions here include: appointing people who have potential to grow but might not have all you require, taking account of a broader range of qualities such as personal skills as opposed to qualifications, monitoring recruitment practices to gain data on gender, ethnic origin, disability, age, checking that tests are culture free, appointing people who do not exactly match what the job required, advertising vacancies beyond conventional mainstream media to target under represented groups, changing the way the work is organised, internal staff development.

**Selection methods** There are a huge range of different selection methods possible. For example, structured interview, competency based interviews, assessment centres, tests of specific skills

**Electronic recruitment and selection** Again there are a wide range of options here for the use of technology in the recruitment and selection process.

**Methods to enhance retention including the organisation’s offer.** These include: improved training and development, improved induction, improved communications/involvement, promoting image as a good employer, improved selection, more flexible hours of work, improving work-life balance, talent management, employer branding.

Based on work by CIPD and Agenda Consulting
One way of finding out what motivates people to join your organisation and what keeps them with you, or what would push them away, is to ask them. A simple diagnostic approach is to undertake a specific survey, either with all staff, or with a representative sample from across the organisation, or just with the group or groups of jobs that present the most severe risk (i.e., have the highest negative impact turnover) to the organisation such as international staff, management positions, specialist skill areas. Retention interviews or surveys can be incorporated within existing employee engagement surveys, and People In Aid offers a stakeholder engagement questionnaire which covers many of the relevant aspects.

The following structure has been used successfully with organisations in the sector as a method of information gathering and may provide a useful starting point for other agencies. It can be used as the framework for HR/management exploration and for gathering employee input in the form of focus groups, one to one conversations, or an email written questionnaire. It can be shortened and targeted to specific areas of focus as required:

**Recruitment and retention diagnostic tool**

1. **Problem definition and impact**
   a) overall, what do you feel that we do well in recruitment and retention
   b) do you feel that we have a problem with vacancies in \(<\text{name to group of staff affected}>\)? If so, what do you see as the hard to fill jobs?
   c) what is the impact financial and otherwise?
   d) for how long have we had a problem here?
   e) what do you see as the main underlying causes
   f) is this a problem just for us or more widely in the sector?

2. **Goals**
   We have a strategic plan which involves \(<\text{detail the general organisational objectives}>\)
   a) if we are going to be able to achieve its strategy, what goals should we set ourselves in relation to the recruitment and retention of \(<\text{name to group of staff affected}>\). How could this be measured?

3. **Recruitment**
   a) are we advertising jobs in the right places and the right media?
   b) do we make it easy for people to find out about vacancies and apply?
   c) are the ways the jobs are designed attractive to candidates – could jobs be designed in different ways?
   d) are our salary and terms and conditions attractive and competitive?
   e) is the length of contract offered attractive?
   f) what is our employer brand to potential applicants? How do others see us? Is this what we want?
   g) should we consider recruiting to longer contracts or permanent generic roles and then posting to specific jobs – i.e., using mobility more proactively to help staff change jobs internally?
4. Selection
   a) are we selecting for the right skills and competencies or is there scope for changing the requirements.
   b) what do you see as the essential as opposed to desirable competencies
   c) is there scope for reducing the essential requirements for some roles and providing enhanced training?
   d) should we consider changes to its selection process
   e) should we develop other methods of contacting and maintaining contact with candidate such as registers/databases. If so, how could this work?

5. Retention
   a) should we consider developing an intern scheme? If so, how?
   b) are there ways that we could keep staff warm between assignments
   c) how good are we at people management? Would any changes here have an impact?
   d) is there scope for redesigning processes to enable people to move more easily from one assignment or position swiftly to another?
   e) should we consider ways to ‘grow our own’ - encourage people to stay through undertaking a number of roles or assignments. If so, what changes would need to be considered?

6. Summary
   a) what do you see as the 3 areas which we could work on which would have most impact on this issue?
   b) what barriers to change are there?
   c) how could these be overcome?
3. A strategic approach to resourcing

Recruitment and selection is still a predominantly reactive activity in many agencies where the HR function is informed of a vacancy, sometimes even after an employee has left, and there is a general panic to find a replacement as quickly as possible. Posts standing vacant can be common, sometimes for long periods, and colleagues are required to act-up or do whatever is necessary to “keep the show on the road” until the new incumbent arrives, settles in and starts to add value to the programme or function. The result is disruption, increased workloads, leading to individual stress, inefficiencies and possibly risk to programme delivery and even future funding.

In Humanitarian relief situations this can become even more acute as the pace is faster and the turnover of short term contracts is higher.

But it does not have to be this way. By taking a more strategic approach to resourcing and working in partnership, managers and the HR function can anticipate and plan for a significant amount of the recruitment and selection activity that will occur within a given period, be it the next three, six or twelve months or even several years, depending on how far ahead the organisation can project.

**Top tips for strategic HR resourcing**

1. Understand the business strategy and short, medium and long terms goals of the organisation – where is the organisation going and what are the staffing implications?

2. People plan alongside other forms of planning – not as an after thought. Understand the implications of your plans for your employees and the costs. Include consideration of contract length. If the project will be there for 2 years why recruit to 6 month contracts?

3. Do workforce planning as far ahead as is practicable – the more you can anticipate the better and more timely your response can be, leaving you the flexibility to deal with the unexpected. What skills will you need where and when? Where will you find them? Can you develop them? If so how?

4. Look at different needs of different elements of the business and consider where to find the skills to fulfil them – the same solution may not be appropriate everywhere.

5. Are there specific categories of roles that present higher organisational risk due to recruitment and retention issues and require specific intervention?

6. Keep abreast of trends and developments in recruitment and selection, but know the importance of ‘fit for purpose’ rather than follow the crowd (tailor approaches to your organisation).

7. Challenge your organisations “sacred cows” – we don’t do it that way round here! Why not!!

8. Think about more active talent management and succession planning? How will you provide for the jobs of the future?

9. Explore different methods to contact prospective candidates and establish contact with groups that may not traditionally have worked in the sector eg employer branding, graduate recruitment, retired or older workers, skilled workers looking to change sector but requiring some training/orientation.
4. Resourcing for now and the longer term

It is important to focus on filling the vacancies that exist today whilst anticipating and planning for the vacancies that will be arising in the future, many of which are known about in advance.

Appropriate systems for highlighting contract end dates well in advance and for prompting managers to consider how the vacancy will continue to be covered are vital. Once the systems are in place then developing good relationships with recruiting managers and facilitating understanding of the importance and added value of taking this timely approach (plus the costs of not doing so) is key to making them work to deliver effective talent management which nurtures and develops skills, knowledge and experience within the organisation.

At the Emergency Personnel Network Conference, 2005, Frank Keepers, Group Director of Talent Management from TNT defined talent management and leadership development as, “supplying the right number of people, with the right skills and experience, at the right place, at the right costs and at the right time. It includes people from recruitment to departure.” He summarised his approach to talent management as: recruit well, deploy widely, develop internationally and talk with, not about, people.

This involves:
- Developing varied sources of recruitment
- Succession planning
- Identifying and fast tracking high potential staff
- Career dialogue to help people know you are interested in them
- Development plans for staff to help them know you are willing to invest in them
- Performance management to help identify and improve talent
- Ensuring your line managers are skilled and capable performance managers
- Buy-in from the board and senior management to drive initiatives in order to deliver success

**Understanding your offer**

It is also important to understand your total offer, or total reward, not just the money and contract part. What training and development and career progression can you realistically offer? What degree of autonomy and empowerment can your employees expect to enjoy and what does this mean for the competencies that you are looking to recruit and develop? Why should people come to work for you and why should they stay? What will be their experience of working for your organisation and what will they say to others about you? If you cannot answer these questions then you cannot expect prospective candidates to have a clear idea of why they should apply to you.
Once you are clear what you are offering you can match the offer to the ‘ask’ (what you are looking for in return i.e. skills, competencies, experience and values). Many organisations make the mistake of asking for the stars and offering the moon. This mismatch can mean that they fail to recruit because the skills sets they are searching for either do not exist, or the offer is not attractive enough relative to similar other organisations to secure them. In this case either the ‘offer’ or the ‘ask’ needs to be revised. For example, agencies that find it hard to compete on pay and benefits may decide to offer training and experience to attract younger and/or less experienced candidates with a view to growing them into more senior and better rewarded roles, or accept that they will only stay for a few years then move on.

Using Competencies

If you find yourself constantly searching for the perfect candidate consider asking yourself “is it better to have an employee with the core 80% of the skills contributing to the programme for 100% on the contract period, or to wait for a candidate with 100% of the experience and carry a vacancy for part of the contract period with all the knock-on affects and costs and risks to the programme?”

Utilising the language of competencies can help identify which are the absolute givens on which the organisation cannot compromise, and which are the areas where there can be greater flexibility. Many organisations now have competencies frameworks which are used for recruitment and day to day performance management.

The advantages of using competencies are that:

1. Processes and performance can be measured and standardised across organisational and geographical boundaries resulting in greater consistency
2. They help provide a clear link between individual objectives and organisational goals
3. Behavioural competencies help communicate and establish core behaviours that reflect and model organisational values
4. Recruitment and appraisal and recruitment systems are fairer and more open.

Communication and Employer Branding

Communicating the offer is key to attracting the right candidates, ever more so as, increasingly, organisations are targeting candidates from outside the sector, particularly for senior management and functional specialist positions such as finance, IT, marketing and HR.

To help get their message across the HR function has begun to borrow the techniques of marketing colleagues in recent years to create an employer brand based on an organisation’s unique employment proposition (UEP). This is communicated to a general audience and in a focused way to target groups. This may involve use of a ‘house-style’ in recruitment advertising which is designed to appeal to a target audience. It may also involve more general communication of what it is like to work for the organisation in the form of non-specific recruitment advertising like articles in targeted media, or including staff case studies on the website for example.

The approach is also used to introduce the idea of the benefits of working in the sector, or for a particular agency, to people who may not have considered it before, or who are just exploring it as a career option, by promoting the total benefit of working for that organisation – tangible and intangible elements.

If done well, employer branding helps both candidate and organisation to match their offer, their ask, their needs and their aspirations realistically.
To see employer branding in action visit the websites of one or more of the following organisations: Nokia (www.nokia.co.uk), Oxfam GB (www.oxfam.org.uk), GlaxoSmithKline (www.gsk.com), BMW (www.bmw.co.uk).

5. Employee Retention

Developing your understanding of staff turnover in your organisation by using the tools and the metrics discussed above is the key to planning and developing an effective, costed retention strategy that targets your specific organisational problems, and on which a credible business case for action can be built.

People management vehicles that impact on retention include:

- Induction and welcome to the organisation – deliver on the organisational promise
- Reward
- Contracts – particularly contract length
- Learning and development opportunities
- Career Development opportunities
- Quality of leadership and day to day management
- Individual opportunity to make a difference
- Recognition of individual contribution – not necessarily through salary however

Furthermore, recent research within the humanitarian relief and development sector indicates that agencies who support engagement activities see knock-on benefits in terms of performance, and retention by encouraging:

- the presence of good team/colleagues, challenging and varied work, an innovative and learning culture
- the absence of excessive workloads, excessive and avoidable negative impact of work on personal life, unnecessary bureaucracy and poor systems
One area that deserves particular attention is contract length. The humanitarian sector has traditionally been governed by fixed term contracts for both national and international appointments. This is, in part at least, a consequence of the way in which it is funded.

However, in practice, many agencies are planning programmes in locations where they work that stretch well beyond the period of current donor funding.

Consider asking yourself and your managers:

“If our current funding is not renewed in XXXX location, will we automatically close the programme, or will we seek to find alternative funding, bridging any gap from our own funds if necessary?”

If the answer is that you will not automatically withdraw, then think about the wider reward and loyalty benefits of contracting your staff for longer periods, or possibly even on an open-ended basis (local labour regulations permitting future retrenchment if necessary).

This thinking represents a radical shift for some agencies but in the battle to recruit, retain and develop good quality staff, the impact can be startling, especially for locally appointed staff.

Case Study – Global Reward and longer term contracts at Oxfam

Oxfam GB experienced recruitment and retention difficulties at senior programme management level that represented a risk to the delivery of high quality programmes. The organisation therefore reviewed its approach to Total Reward internationally, including its contracting philosophy.

The result was the creation of an international cadre of posts which were recruited via the global labour market and received terms and conditions commensurate with that market place. In addition generic open-ended contracts are now offered with a mobility clause to facilitate longer careers and movement within the organisation.

This means that whilst the employment contract is open-ended the deployment to a specific post in a particular location can be for an agreed period.

The advantage of this approach is that employees have greater job security and the responsibility of finding the next placement becomes shared with the employer and makes planning ahead for both the employee and their employer easier, though staff still have to compete for roles via normal recruitment processes.

In addition the default employment offer for all positions is now open-ended unless there is a clear business reason why this should not be the case.
Advice from the CIPD

It is worth considering the following elements, all of which have been shown to play a positive role in improving retention:

- Give prospective employees a 'realistic job preview' at the recruitment stage. Take care not to raise expectations only to dash them later. Where possible invite applicants to work a shift on the job before committing themselves.

- Make line managers accountable for staff turnover in their teams. Maintain the focus by including the subject in appraisals and celebrate managers’ achievement in this area. Train line managers in effective supervision before appointing or promoting them. Offer re-training opportunities to existing managers who have a poor record at keeping their staff.

- Maximise opportunities for individual employees to develop their skills and move on in their careers. Where promotions are not feasible, look for sideways moves that vary experience and make the work more interesting.

- Ensure wherever possible that employees have a 'voice' through consultative bodies, regular appraisals, attitude surveys and grievance systems. This helps to ensure that dissatisfied employees have every opportunity to sort out problems before resigning. Where there is no opportunity to voice dissatisfaction, resigning is the only option.

- Wherever possible accommodate individual preferences on working hours and patterns. Where people are forced to work hours that do not suit their domestic responsibilities they will invariably be looking for another job which can offer such hours.

- Avoid the development of a culture of 'presenteeism' where people feel obliged to work longer hours than are necessary simply to impress management. Evaluation of individual commitment should be based on results achieved and not on hours put in.

- Provide as much job security as possible. Employees who are made to feel that their jobs are precarious may put a great deal of effort in to impress, but they are also likely to be looking out for more secure employment at the same time. Security and stability are greatly valued by most employees.

- Bend over backwards to ensure that you do not and are never seen to discriminate against employees on any unfair grounds. A perception of unfairness, whatever the reality when seen from a management point of view, is a major cause of voluntary resignations. While the over all level of pay is unlikely to play a major role unless it is way below the market rate, perceived unfairness in the distribution of rewards is very likely to lead to resignations.
6. References and additional useful sources of information


Recruitment, retention and turnover survey 2005, CIPD, www.cipd.co.uk

CIPD Factsheets:
Employee turnover and retention, originally issued June 2004; latest revision August 2005
Competency and competency frameworks originally issued May 2001; latest revision August 2005

People Count Voluntary Sector, November 2005, Agenda Consulting, www.agendaconsulting.co.uk

Develop Your People and Organisation, People In Aid 2003, www.peopleinaid.org

Social Audit Manual, People In Aid, 2003 www.peopleinaid.org