



Chartered Institute
of Personnel and
Development

Recruitment, retention and turnover 2004

A survey of the UK and Ireland



Survey report

June 2004

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Summary of key findings

The 2004 recruitment, retention and turnover survey reviews how organisations in the UK and Ireland are tackling the issues of attracting and keeping their people. Two formerly separate annual surveys (recruitment and retention and labour turnover) have been combined to build a comprehensive picture of how employers are managing these crucial resourcing issues.

The recruitment challenge

- In a climate of near full employment, the proportion of organisations reporting recruitment difficulties remains high. Over 85% of UK respondents report difficulties recruiting in 2003, as compared to 93% in 2002. Two-thirds of Irish respondents report hard-to-fill vacancies.
- Organisations with recruitment difficulties most commonly cite a lack of the specialist skills they require (68%) followed by a lack of required experience (66%) in potential recruits.
- The most common response to recruitment difficulties is recruiting people who have the potential to grow but don't currently have all that's required.

Turnover and retention

- Labour turnover remains constant in the UK at 16.1% compared to 2002. In Ireland it rose by over 5 percentage points to 15.7%.
- The proportion of UK survey participants experiencing difficulties retaining their people rose from 72% in 2002 to 77% in 2003 (69% in Ireland).
- The highest levels of turnover are found in call centres (50.9%) and hotels, catering and leisure (45.7%).

Recruitment freezes and redundancy

- A third of respondents made more than ten people redundant during 2003. Just over a quarter experienced recruitment freezes.

Attraction and selection

- Local newspapers are still the most frequently used method of attracting candidates. The use of external parties such as recruitment agencies or search services is also widespread. The proportion of employers using their own websites to advertise vacancies remains approximately 70%. However, 40% now use commercial websites (a substantial increase compared to 2003 findings).
- Interviews are the most commonly used selection method.

Managing vacancies

- The average time to fill a vacancy across all occupations is 8.9 weeks. Less than a quarter of UK organisations carry out succession planning on a formal and regular basis compared to 32% in Ireland.
- The most common response to coping with an unfilled vacancy is to redistribute work among colleagues. Almost 30% always or usually make use of temporary staff as cover for non-management roles. Use of interim managers is lower, with 1 in 5 always or usually making use of this option.

Who recruits?

- More than 1 in 4 organisations are increasing the responsibilities of line managers when it comes to recruiting. Joint responsibility between HR and line managers is most common at the selection stage. At present HR tends to retain ownership of placing advertisements, making offers and recruitment-associated administration.

Diversity

- The majority of organisations surveyed have a diversity policy (94%). Just over two-thirds of respondents monitor recruitment and staffing information with equal opportunities in mind. The same proportion train their interviewers in diversity issues.
- Awareness of new employment equality regulations on sexual orientation, religion and belief is very high. Only 15% of respondents have made changes to their recruitment practices, although a larger proportion carried out reviews of their recruitment and diversity policies.
- Of all organisations surveyed, 6 in 10 plan to make further changes in advance of the 2006 age discrimination legislation.

Keeping hold of your talent

- 'Promotion outside the organisation' is the main reason for labour turnover most commonly cited by survey participants (44%). A change of career, pay and a lack of development or career opportunities are all also cited by over a third of organisations.
- The most common initiative being undertaken to aid retention is improving employee communication and involvement (46%).

Counting the cost

- Organisations are far more likely to count the direct costs to their business of recruitment than turnover. While 46% calculate the recruitment costs, only 7% consider the wider cost implications of an individual leaving the organisation.
- The average cost of recruiting a replacement member of staff is estimated at £2,500 – compared to £4,800 when the impact of turnover is also considered.

Personnel professionals from 976 organisations took part in the survey – 868 from the UK and 108 from Ireland. Two well-attended focus groups of CIPD members contributed to the preparation of the questionnaire and analysis of the findings.

All responses relate to the period 1 January to 31 December 2003.

For organisations to perform effectively, a planned approach to attracting, selecting and retaining their people is essential. Recruitment shouldn't only be carried out on a tactical basis to meet current needs. A longer-term perspective – which considers the implications of future plans for the business – is also important. Making use of techniques such as succession planning and targeted development of existing staff helps ensure organisations will have the capability and resources they need in the future.

Employers should be aware of trends in the external labour market, such as skills shortages, which are likely to impact on their recruitment needs. Encouraging equal opportunities and diversity will help maximise the pool of talent available to organisations at a time when the majority of them are experiencing recruitment difficulties.

Organisations should be aware of their labour turnover rate and use tools such as exit surveys and staff attitude surveys to build their understanding of why people leave. Measurement of the costs to the employer as a result of turnover is vital in building the business case for thorough and effective recruitment and support for retention initiatives.

Notes on the tables: Unless otherwise stated, tables refer to findings across the UK and Ireland. Some tables include 2002 'UK only' figures for comparative purposes.

With the exception of turnover rates, figures have been rounded up to the nearest percentage point.

'Ireland' figures relate to the Republic of Ireland only.

The recruitment challenge

We sought to uncover the nature of the recruitment challenge in 2003, exploring the level of recruitment activity across sectors and the kinds of difficulties experienced.

Most (98%) of our survey participants tried to fill vacancies during 2003.

Table 1 shows the average number of vacancies they attempted to fill by industry sector. Private sector recruitment experienced a downturn in 2003 and only gradually recovered in the course of the year. Investment in the public sector meant it remained buoyant, making it unsurprising that they report the highest levels of vacancies. Survey participants in this sector report needing to fill an average of 391 positions over the year.

Table 1: Number of vacancies respondents tried to fill during 2003, by industry sector

	UK by sector					Ireland
	UK	Manufacturing and production	Voluntary, community, not-for-profit	Private sector services	Public sector services	
Mean score	228	98	79	274	391	105

Base: 897

Recruitment difficulties

Among organisations that tried to fill vacancies, the proportion experiencing recruitment difficulties remains high, at 85.1% (93% in 2002). Irish respondents report fewer difficulties, with 66.3% of respondents reporting hard-to-fill vacancies (see Table 2).

Organisations in the voluntary sector are most likely to experience recruitment difficulties (92.3%). Almost 90% of public sector organisations also report difficulties, with respondents highlighting particular difficulties recruiting to occupations such as care workers and social workers.

Table 2: Organisations experiencing recruitment difficulties (%)

UK	UK by sector					Ireland	2002 (UK only)
	Manufacturing and production	Voluntary, community, not-for-profit	Private sector services	Public sector services			
85	85	92	82	90	66	93	

Base: 955

In terms of types of staff, respondents most frequently report difficulties recruiting managers and professionals, with the public sector experiencing most problems in this area (see Table 3).

Table 3: Categories of vacancies which proved particularly difficult to fill (%)

	UK by sector					Ireland
	UK	Manufacturing and production	Voluntary, community, not-for-profit	Private sector services	Public sector services	
Managers and professionals	55	50	60	52	69	42
Manual/craft	21	34	22	13	18	10
Services (customer, personal, protective and sales)	20	13	20	29	11	12
Administrative, secretarial and technical	19	20	22	17	22	15
Graduate trainees	3	5	2	3	3	3
Other	10	7	14	9	15	12

Base: 955

Reasons for recruitment difficulties

Findings relating to recruitment difficulties are presented in Table 4. In keeping with last year's survey, the most common reason during 2003 is a lack of specialist skills (68% of organisations with difficulties), followed closely by a lack of the required experience (66%). Almost 30% of organisations experience 'no applicants' for at least one vacancy. Although this proportion remains significant, this represents a decline when compared to the 41% figure for the previous 12 months.

Over half of respondents in the UK (and a similar proportion in Ireland) reported the problem of applicants wanting more pay than employers were able to offer. This represents an increase from 43% in the previous 12 months. The difficulty employers face keeping up with wage inflation is reflected later in the survey, when over a third of respondents identified this as one of the three main challenges they were currently facing when recruiting and retaining their people.

Recruitment difficulties caused by the cost of living locally were most common in London and the south-east.

Responses to recruitment difficulties

The most frequently implemented approach in response to recruitment difficulties is appointing people who have the potential to grow, but who don't at present have all that's required (see Figure 1). Given the new right to request flexible working introduced in April 2003, it might have been expected that more than 17% of respondents would have addressed this issue by beginning to offer flexible hours of work during 2003 (although over a third of respondents were already making this benefit available). Similarly, given the level of media interest in 'offshoring', it is interesting to note that the proportion of employers relocating part of the business overseas as a result of recruitment difficulties remains relatively small (2% during 2003).

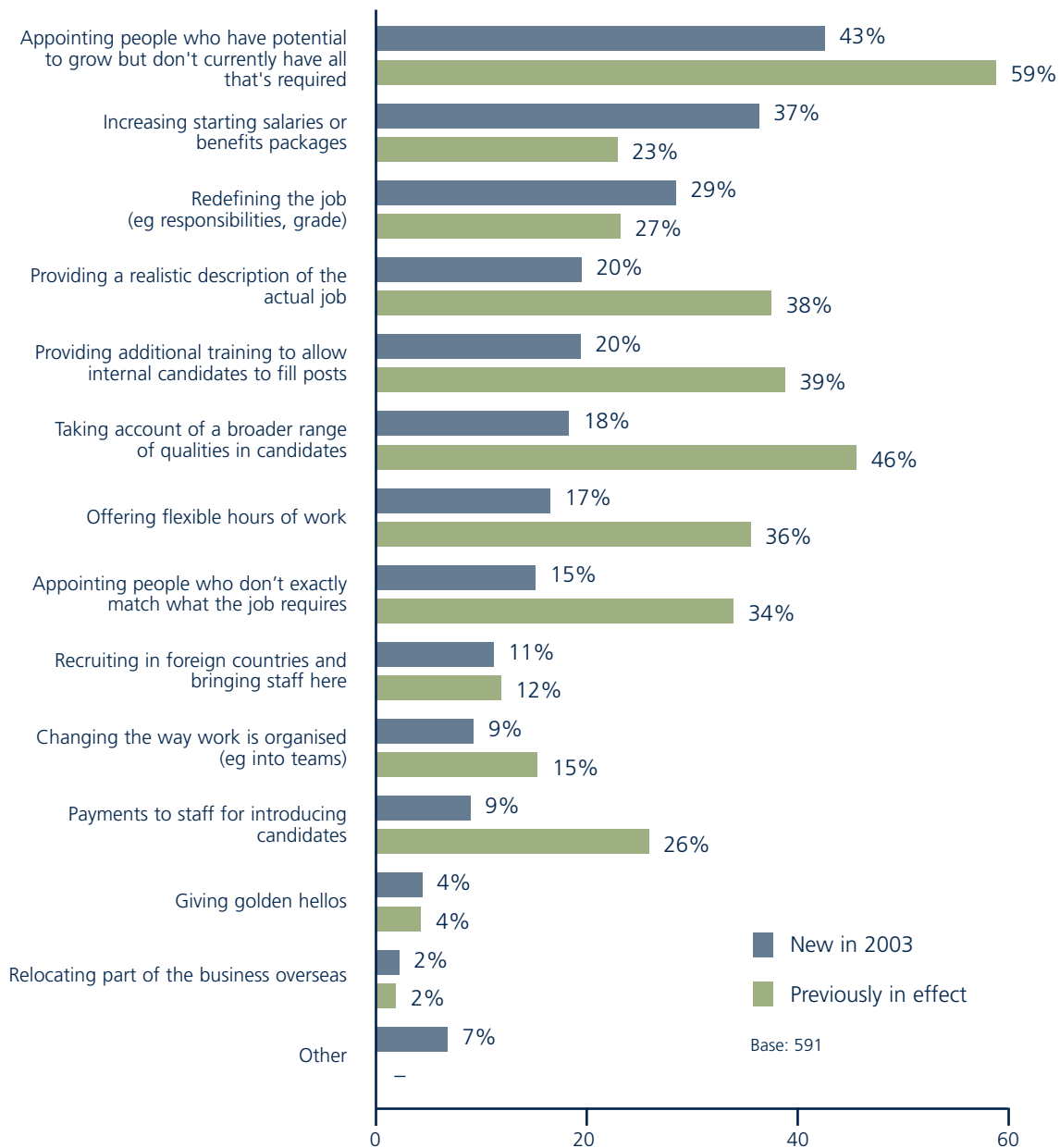
Table 4: Reasons for recruitment difficulties (%)

	UK by sector						2002 (UK only)
	UK	Manufacturing and production	Voluntary, community, not-for-profit	Private sector services	Public sector services	Ireland	
Lack of specialist skills you required	69	69	76	69	66	62	46
Lack of the experience you required	66	68	74	69	53	67	38
Wanted more pay than you could offer	51	42	53	54	59	32	43
No applicants	30	25	45	26	43	17	41
Image of sector/occupation	19	18	29	15	25	12	24* 15**
Lack of interpersonal skills	14	13	10	19	7	9	10
Applicants unable to accept due to cost of living in area	14	12	12	11	25	9	17
Image of organisation	9	8	8	9	7	8	10

Base: 756

*sector **occupation

Figure 1: Initiatives taken to address recruitment difficulties



Managing vacancies

Less than a quarter of UK respondents carry out succession planning on a formal and regular basis (see Table 5). This is surprising given the proportion of organisations reporting recruitment difficulties – and shows there is potential for many organisations to take a more structured and strategic approach to spotting future talent, helping to avoid vacancies in key roles.

A focus group of CIPD members agreed this figure is ‘sadly low’ and suggested it was important for businesses to clearly establish where ownership of facilitating and running succession planning lies to ensure it takes place.

The average time taken to fill any vacancy is 8.9 weeks (compared to 8.5 weeks in 2002). Managers and professionals normally take the longest to recruit (13.3 weeks) followed by graduate trainees (10.3 weeks). Recruiters are able to fill manual and craft worker vacancies most quickly (see Table 6).

We also explored what action organisations normally take when they have an unfilled vacancy (see Figures 2 and 3). The most frequent response was to redistribute work among colleagues. The consequences of this are likely to be additional pressure on remaining staff and a threat to achieving team objectives based on full staffing levels. Managers are less likely than non-managers to receive additional payment for their efforts.

Focus group members were surprised at how frequently interim managers were used – commenting they believed this was more likely to happen where there was a specific need for a project over a prolonged period of time. In general it was felt that the use of temporary staff depended on the presence of agencies specialising in the relevant area. The need to manage the higher costs of agency staff in this area was also highlighted by the focus group.

Figure 2: Action taken when there is a vacancy for a manager

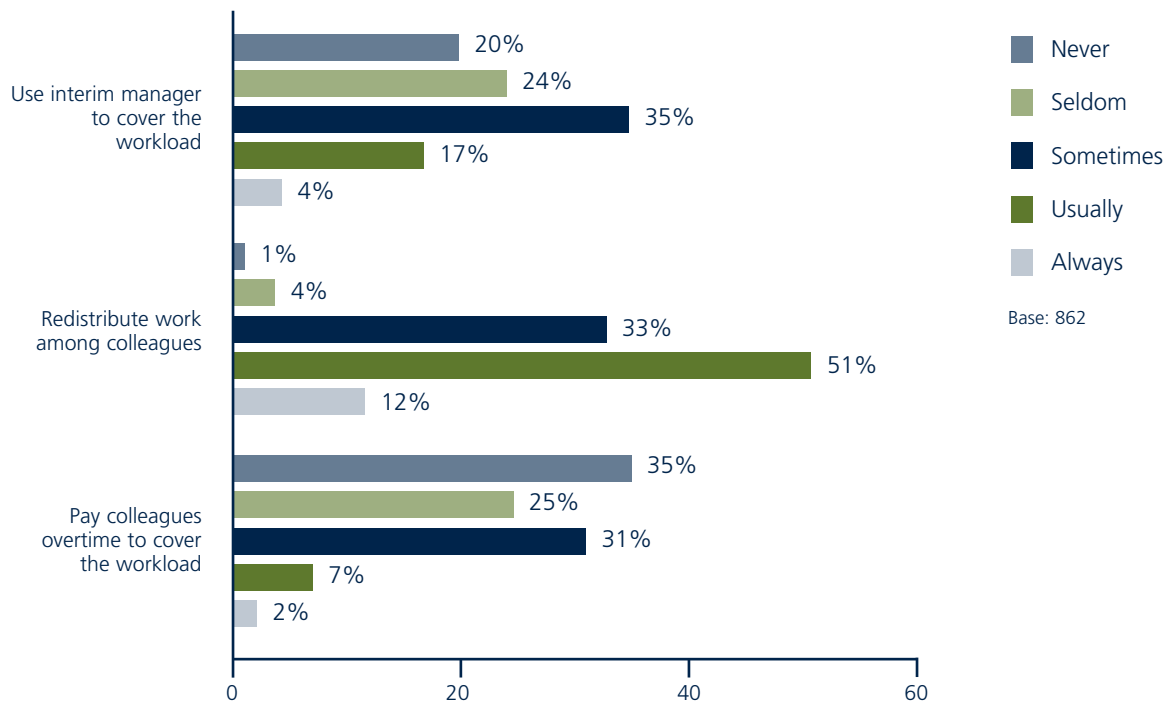


Table 5: Respondents undertaking succession planning

	% of respondents	
	UK	Ireland
On an ad hoc basis	57	54
On a formal and regular basis	21	32
Not at all	22	13

Base: 960

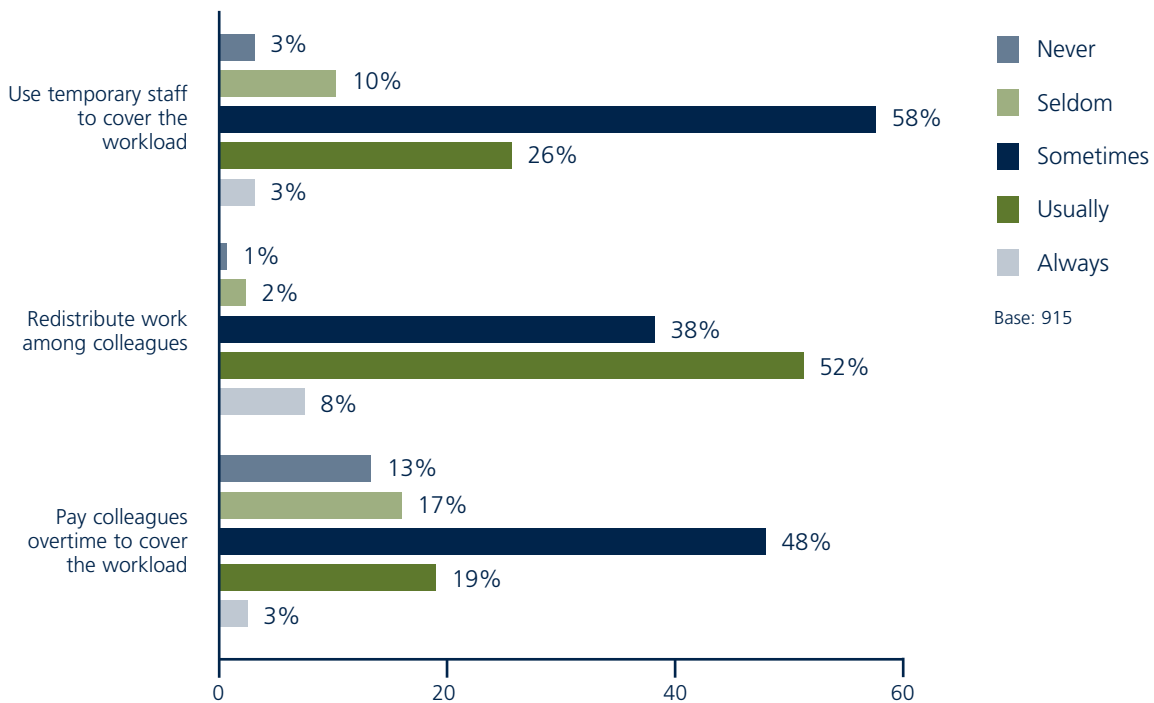
Table 6: Time taken to fill a vacancy* by occupational group

	Average number of weeks taken to fill a vacancy
Managers and professionals	13.3
Administrative, secretarial and technical	6.8
Services (customer, personal, protective and sales)	7.7
Manual/craft	5.5
Graduate trainees	10.3
Any occupation	8.9

Base: 974

* From deciding there was a vacancy to the employee's actual starting date

Figure 3: Action taken when there is a non-management vacancy



Attraction methods

Recruiting internally

We found 87% of UK survey participants have a policy of advertising all vacancies internally as compared to 77% in Ireland. Figure 4 shows the methods used to let employees know about internal positions. Focus group members felt that results were likely to be reflective of the culture of the organisation in question and what worked most effectively in this environment. One member drew attention to the importance of ensuring that women on maternity leave were aware of vacancies – a representative from a charity said that in these circumstances they would make sure copies of adverts were sent to home addresses.

Recruiting externally

In common with last year's survey findings, local newspapers remain the most frequently used method for attracting candidates (see Table 7). Focus group members commented that, increasingly, recruiters are thinking more about the quality of their advertisement and their employer branding when using this medium.

Online recruitment presents a mixed picture. There is no increase this year in the proportion of organisations using their own websites to advertise vacancies – this remains steady at approximately 7 in 10 respondents. However, use of commercial job boards increases to almost 40%, when compared to around 15% in the previous 12 months. The focus group's experience of online recruitment also varied. Representatives from the public sector reported an increase in applications from their own website. However, commercial job boards were still seen as likely to generate applications from unsuitable applicants. The group commented on the need to monitor the effectiveness of different attraction methods as it was valuable to know where your successful hires were coming from.

For the first time this year, the survey asked whether organisations operated an employee referral scheme. Over a third of responses indicated this is the case. The focus group noted the fact that this could hinder efforts to recruit a more diverse workforce, because of the danger of 'recruiting in your own image'. However, where a diverse workforce was already in place, it was felt this could represent a cost-effective and efficient way of recruiting.

Figure 4: Methods used to advertise vacancies internally

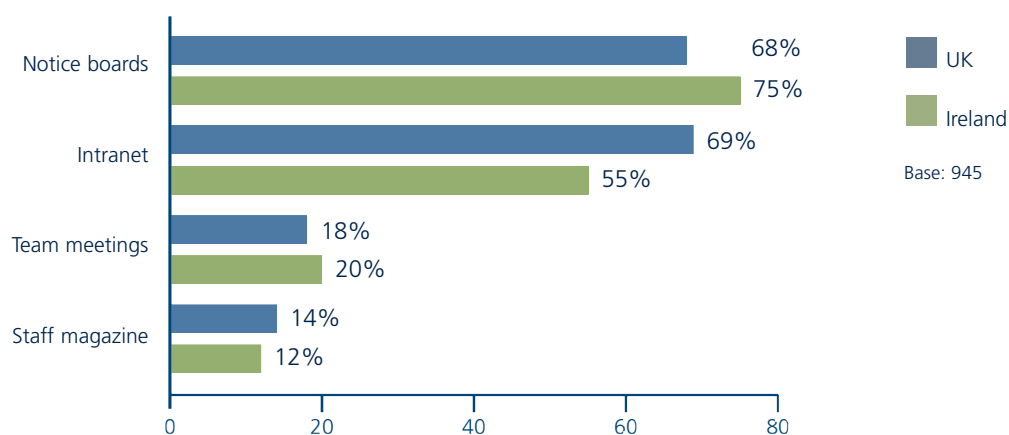


Table 8 (page 12) shows our findings relating to the use of attraction methods across different occupational groups. Some clear distinctions in the way candidates are sourced are revealed. National newspapers, for example, are used by two-thirds of all respondents recruiting to managerial positions, but far

less frequently when recruiting other occupations. By way of contrast, the Jobcentre route is used most frequently by those recruiting to manual and craft positions (62%) and is far less popular when respondents seek to fill managerial vacancies (14%).

Table 7: Methods used to attract applicants, summary by sector (%)

	UK by sector					Ireland	2002 (UK only)
	UK	Manufacturing and production	Voluntary, community, not-for-profit	Private sector services	Public sector services		
Local newspaper advertisements	87	92	91	81	94	80	84
Recruitment agencies/search	81	92	70	87	55	81	71 [†] 41 ^{††}
Specialist journals/trade press	75	72	79	71	87	37	73
Vacancies/information (own website)	72	63	82	71	85	65	72
Jobcentre/Employment service/ONE	61	64	69	54	67	31	46
National newspaper advertisements	61	55	72	55	78	86	64
Encourage speculative applications/word of mouth	58	66	34	71	26	42	34 [*]
Links with schools/colleges/universities	51	57	40	55	38	66	45
Vacancies/information (commercial website)	39	29	42	43	43	50	15
Employee referral scheme	34	29	3	55	5	35	–
Apprentices/work placements/secondments	29	38	21	25	27	33	34 ^{**}
Physical posters/billboards/vehicles	10	6	6	16	7	5	13
Radio and/or TV advertisements	9	8	8	11	10	9	14

Base: 972

*encourage speculative applications

**apprentices/work placements

†rec. agencies

††search

Table 8: Methods used to attract applicants, by occupation (%)

	Managers and professionals	Administrative secretarial and technical	Services (customer, personal, protective and sales)	Manual/craft	Graduate trainees
Local newspaper advertisements	48	77	67	78	26
Recruitment agencies/search	75	62	49	29	18
Specialist journals/trade press	67	14	20	6	18
Vacancies/information (own website)	65	62	65	52	59
Jobcentre/Employment service/ONE	14	38	37	62	13
National newspaper advertisements	61	14	18	8	20
Encourage speculative applications/word of mouth	33	40	43	49	25
Links with schools/colleges/universities	9	17	17	20	68
Vacancies/information (commercial website)	35	26	28	16	26
Employee referral scheme	24	28	31	27	20
Apprentices/work placements/secondments	6	11	11	24	22
Physical posters/billboards/vehicles	2	3	7	9	3
Radio and/or TV advertisements	2	2	5	7	1

Base: 972

From application to selection

Table 9 demonstrates the various ways candidates are able to apply to the organisations participating in our survey. Employers are 'e-enabled' to a varying extent. There has been an increase in the acceptability of emailing application forms – with over half of organisations now able to handle applications this way. However, the proportion of organisations with the facility for application forms to be completed online is still only 1 in 4.

Hertfordshire County Council (HCC): adapting recruitment practices

In the south-east of the country – with higher costs of living and housing – Hertfordshire has been particularly affected by national skills shortages such as those of social workers, care workers, engineers and teachers. So a planned and targeted approach to recruitment and retention has been vital.

The last couple of years have seen a transformation in the way HCC manages its recruitment. A Recruitment Centre (outsourced to Manpower plc) has been set up to source all temporary and permanent candidates. With a simplified process and more opportunity for candidates to source information on the web, applications have increased from 6 to 20 per post. Since the online application system went fully live in July 2003, 55% of all applications have been online.

But HCC remain convinced it's important to flex the way you recruit in line with the nature of the challenges you face. For example, when recruiting workers for residential care homes, they find some of the best results come when they start by holding an open day rather than following the standard advert and interview route. This way, potential candidates see for themselves what the work and the client group are like. Managing candidates' expectations of the job from the outset is important not just to recruiting the right candidates – but making sure you retain them in the longer term.

Information supplied by Carole Grimwood, Assistant Director, Hertfordshire County Council

Table 9: Methods of accepting candidates' applications (%)

	UK by sector						2002 (UK only)
	UK	Manufacturing and production	Voluntary, community, not-for-profit	Private sector services	Public sector services	Ireland	
Written application forms	81	80	96	74	95	80	–
Written CVs and/or letters of application	75	96	25	88	33	94	–
Emailed CVs and/or letters of application	72	90	24	87	27	90	77
Application forms via email	56	57	46	55	61	66	39
Application forms completed online	24	19	27	24	32	22	27* 13**

Base: 973

*own website **commercial

Selection methods

Table 10 shows a summary of selection methods used by respondents. Interviews remain the most frequently used selection method – and the not-for-profit and

public sector services are most likely to use a panel format. An increase of more than 10 percentage points (from 49% to 60%) in tests for specific

Table 10: Methods used to select applicants, summary by sector (%)

	UK	UK by sector				Ireland	2002 (UK only)
		Manufacturing and production	Voluntary, community, not-for-profit	Private sector services	Public sector services		
Assessment centres	43	41	34	44	48	19	48
General ability tests	53	58	64	49	52	28	45
Literacy and/or numeracy tests	48	56	46	44	42	24	46
Tests for specific skills	60	62	72	55	63	27	49
Online tests (selection/self-selection)	6	4	3	9	4	3	6
Personality questionnaires	46	53	34	48	36	31	45
Competency-based interviews	62	63	49	66	57	61	59
Interviews following contents of CV/application form (ie biographical)	66	79	52	71	42	75	54
Structured interviews (1-to-1 and critical incident/behavioural)	38	41	18	45	20	36	43
Structured interview (panel)	55	46	88	45	82	59	59
Telephone interview	26	19	10	38	13	30	28
Academic reference (pre-interview)	14	15	9	12	17	19	14
Employment reference (pre-interview)	31	28	28	26	46	37	34
Group activities (eg role-playing)	27	23	24	30	27	11	26
Other	6	5	5	4	10	5	–

Base: 976

skills apparently reflects the importance of applicants possessing the skills required for the post. This is the area highlighted by respondents as their primary difficulty when recruiting (see Table 4, page 6).

For the first time this year, the survey explores the selection methods used to recruit different occupational groups (see Table 11). Assessment

centres are used by approximately 3 in 10 organisations recruiting either managers and professionals or graduates – but significantly less frequently across the other identified occupations. Online testing is, unsurprisingly, most common when recruiting for graduate trainees.

Table 11: Methods used to select applicants, by occupation (%)

	Managers and professionals	Administrative, secretarial and technical	Services (customer, personal, protective and sales)	Manual/craft	Graduate trainees
Assessment centres	34	7	10	5	33
General ability tests	29	33	28	25	27
Literacy and/or numeracy tests	20	29	20	23	23
Tests for specific skills	24	38	25	31	16
Online tests (selection/self-selection)	3	1	2	1	5
Personality questionnaires	43	16	17	6	23
Competency-based interviews	59	48	48	34	45
Interviews following contents of CV/application form (ie biographical)	58	61	58	60	52
Structured interviews (1 to 1 and critical incident/behavioural)	35	25	27	19	23
Structured interview (panel)	54	37	35	28	32
Telephone interview	13	11	17	10	12
Academic reference (pre-interview)	9	6	5	4	16
Employment reference (pre-interview)	30	25	25	24	18
Group activities (eg role-playing)	17	5	10	3	18
Other	6	6	8	9	12

Base: 976

Unilever: refining the assessment process

All of Unilever's selection is competency-based. There is a global competency model (the Leadership Growth Profile) which operates across the business. The company recently spent a considerable amount of time contextualising this model to make it more specific and relevant to particular functional roles – with a focus primarily on sales and research and development roles.

Unilever made use of a structured process of job analysis to build up a profile of what really makes people successful in these roles. Members of the talent management team spoke in detail to the people who actually do the jobs, their line managers and directors to understand what the best people were doing or saying. They also undertook some benchmarking – considering times when team members had performed particularly well, or not so well. In the case of sales account managers, for example, the ability to exercise strategic influencing was particularly important.

Unilever has consequently been able to design, in-house, a bespoke assessment process for sales roles, including role-plays, group exercises and presentations. A consistent, off-the-shelf assessment centre – which reflects the attributes of top performers in this functional area – can now be used across the business.

Information supplied by Linda Macdonald, Resourcing Manager, Unilever

Who recruits?

This year we were also keen to explore with survey participants how responsibility for recruitment was allocated inside (or outside) their organisations.

We found that over 1 in 4 organisations increased the responsibilities of line managers relating to the delivery of recruitment activities during 2003 (see Figure 5). Joint responsibility between HR and the line is most common at the selection stage (see Table 12).

The October 2003 CIPD *HR Survey: Where we are, where we're heading* revealed that over half of senior practitioners aspire for HR to have a strategic business partnership role in their organisation. In the area of recruitment, the function still currently appears to

perform high levels of transactional activity, with HR most likely to have primary responsibility for placing advertisements (77%), making offers (67%) and recruitment-associated administration (91%).

More than 1 in 5 respondents increased their use of external providers during 2003 (see Figure 6). They were used most frequently for screening applications and for placing advertisements. In overall terms, the proportion of organisations delegating primary responsibility for recruitment to external providers remains small.

Figure 5: Changes in the proportion of recruitment activities performed by line managers during 2003

Base: 976

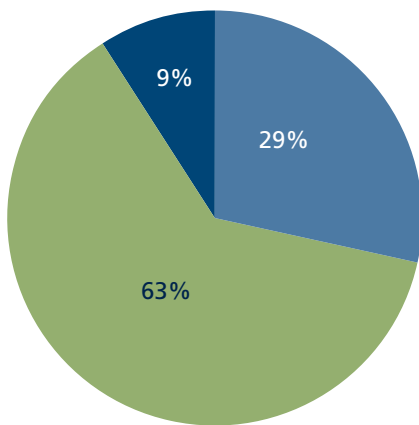


Figure 6: Changes in the use of external providers for recruitment during 2003

Base: 964

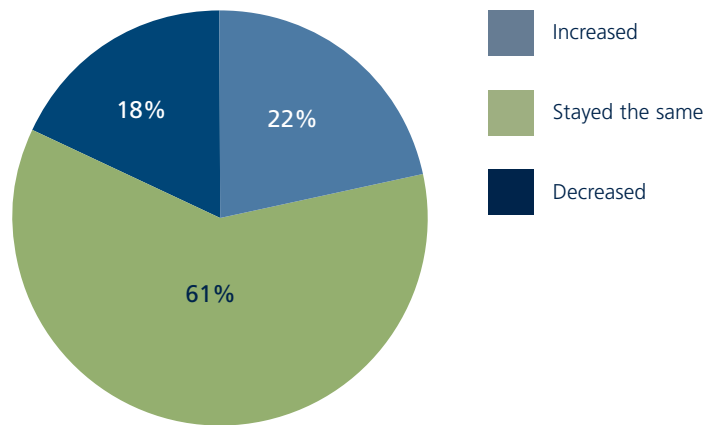


Table 12: Primary responsibility for recruitment activities (%)

	Line managers	HR/ personnel	Joint (HR and line manager)	Outsourced (eg employment agency)
Placing adverts	8	77	21	8
Screening candidates	33	37	50	9
Selecting candidates	42	13	68	2
Making job offers	19	67	28	2
Recruitment-associated administration	6	91	8	3

Base: 965 (results for recruiting management and non-management staff combined)

Line manager capability

The CIPD's *HR Survey: Where we are, where we're heading* highlighted concerns among a significant number of senior practitioners regarding line managers' ability to handle people issues. This survey's results (with a focus on recruitment activity specifically) also indicate difficulties in this area, with over 1 in 3 personnel professionals disagreeing with the statement, 'line managers are competent in performing recruitment activities' (see Figure 7).

Further analysis suggests that where respondents strongly agree with this statement, their organisations in fact report lower than average rates of turnover (15% among those 'strongly agreeing', whereas other levels of agreement are broadly equivalent, around 16–17%). The survey findings suggest not all managers are actually being trained in this area (see Figure 8). Almost a third of UK respondents do not believe line managers are receiving appropriate training and support for handling recruitment effectively. One focus group member highlighted the need for adequate training, not just to improve line manager capability but also to ensure their buy-in to their role in the recruitment process (see LexisNexis case study).

Figure 7: 'Line managers are competent in performing recruitment activities'

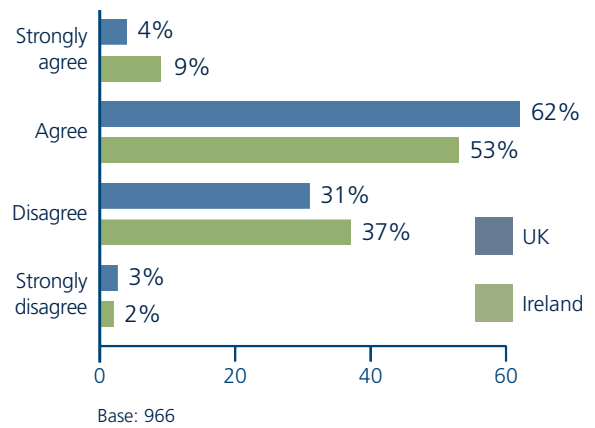
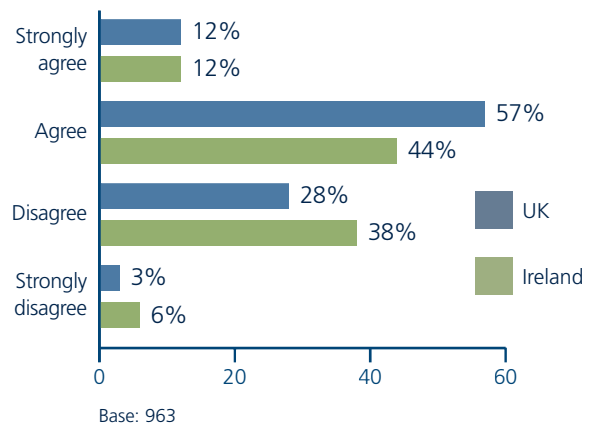


Figure 8: 'Line managers receive appropriate training and support for handling recruitment effectively'



LexisNexis: building line manager capability

LexisNexis was keen to increase the recruiting capability of their line managers as part of their efforts to streamline their attraction and selection process.

They invested in producing a 'manager's guide' – providing a quick and easy reference point for recruitment guidance and clearly outlining company processes. HR also made training available to managers on either a one-to-one or group basis, to include:

- understanding the structure of interviews and the reasons for using a competency-based approach
- awareness of the dos and don'ts of interviewing (including legal requirements)
- the opportunity for managers to design an interview format themselves.

This final component is crucial as managers are now empowered to tailor interviews to the requirements of the particular vacancy they are seeking to fill. With guidance from the HR team, they decide which competencies are most relevant to the role they are seeking to fill. If analytical skills are important, the manager will pick out the appropriate competency from a guide compiled by HR. An interview question is then selected from a choice of standard questions provided for the competency.

Asking the 'right' questions is helping managers to make better selection decisions. It is also boosting management buy-in to the use of competency-based interviews. Where previously there had been some scepticism, the opportunity for managers to shape the interview according to the needs of the job is convincing them of the merits of this approach to recruitment.

Information supplied by Mark Cowie, Recruitment Officer, LexisNexis UK

Diversity

New legislation

2003 was a significant year for UK discrimination legislation as regulations relating to sexual orientation, religion and belief were introduced for the first time in December. We sought to explore organisations’ responses to the introduction of the new regulations, and also their readiness for the 2006 age discrimination legislation (see Table 13 and Figure 9).

Awareness of the new legislation was extremely high (99%). As many as 4 in 10 organisations indicated their policy and practices already complied with the regulations and they had not needed to take any additional action during 2003.

Almost half of those surveyed had felt it necessary to review their equal opportunities or diversity policies and just under a third had reviewed their recruitment policy. In many cases, however, these reviews did not actually result in any changes.

The vast majority (97.2%) of organisations were also aware of the forthcoming legislation on age. More than 6 in 10 organisations felt that they would need to make further changes before 2006 (see Figure 9).

Tapping into the talent pool

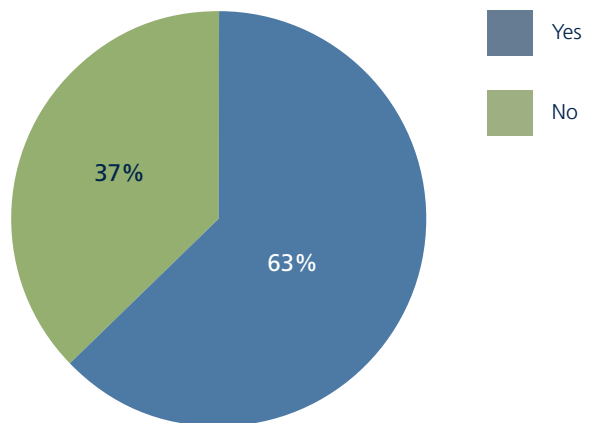
The CIPD’s 2003 Change Agenda, *The Challenge of the Age*, highlighted the dangers of organisations failing to address age diversity when many of them continue to face a ‘war for talent’. The findings from this survey reinforce this argument: 8 in 10 respondents report recruitment difficulties. But it is clear from Table 14 that some mechanisms to encourage diversity remain underexploited (less than a fifth of organisations, for example, are able to provide recruitment documents in other formats, such as large print). The need for employers to recognise the business benefits of promoting all aspects of diversity – to maximise the pool of available talent – is clearly still relevant.

Table 13: Responses to new legislation on sexual orientation, religion and belief (UK respondents only)

	% of respondents
Reviewed equal opportunities/diversity policy	49
Reviewed recruitment policy	30
Provided additional training for managers	18
No action needed (provisions in place)	40
Made changes to equal opportunities/diversity policy	29
Made changes to recruitment practices	15
Provided additional training for staff	16
Not aware of new legislation	1

Base: 823

Figure 9: Do you plan to make further changes to recruitment policies and practices prior to the implementation of 2006 age discrimination legislation? (UK respondents only)



Base: 964

The number of respondents reporting that they train their interviewers in equality and diversity is increasing. This may in part reflect survey participants' responses to the new legislation discussed above. Even more pronounced is the upward trend in survey participants monitoring recruitment and/or staffing data relating to diversity. In the UK this increased to 71% of participants during 2003 (compared to 53% in the previous 12 months). Monitoring is most

widespread in the public sector (95%), which continues to be most active in promoting diversity.

Of all our respondents, 94% report having an equal opportunities or diversity policy. However, at present only a minority of respondents (28%) evaluate the effectiveness of the methods they use to encourage equal opportunities.

Table 14: Methods used to try and encourage equal opportunities and diversity (%)

	UK by sector						2002 (UK only)
	UK	Manufacturing and production	Voluntary, community, not-for-profit	Private sector services	Public sector services	Ireland	
Monitoring recruitment and/or staffing information to gain data on gender, ethnic origin, disability, age etc	71	65	85	62	95	33	53
Training interviewers in equal opportunities/diversity issues	67	57	71	64	82	70	54
Operating policies that go beyond basic legislative requirements on gender, disability, sexual orientation, religion and belief	39	28	52	34	61	34	33
Checking that any tests used are culture-free and were tested on diverse norm groups	38	42	32	35	41	31	34
Ensuring the recruitment team reflects diversity criteria	28	25	30	25	35	39	20
Advertising vacancies beyond traditional media to target under-represented groups	29	14	52	23	51	22	27
Using specific images/words in your recruitment advertising to target under-represented groups	25	14	46	19	41	26	25
Providing recruitment documents in other formats (large-print disk etc)	19	4	24	13	50	13	19
Setting recruitment targets to achieve a workforce reflecting your customer base or local community	15	8	21	11	34	20	13
Other	1	1	3	1	1	3	–

Base: 851

Labour turnover

Labour turnover rates

At the end of 2003, labour turnover in the UK was on average 16.1% in participating organisations, the same as 12 months earlier. Turnover in Ireland was 15.7% – an increase of over 5 percentage points compared to the previous 12 months (see Table 15).

Table 17 demonstrates that the vast majority of turnover is based on voluntary decisions by employees

to leave their organisation, rather than involuntary turnover due to organisational change (eg redundancy) or contract clauses (eg in fixed-term contracts).

There was no relationship between the proportion of part-time staff employed in an organisation and its rate of turnover.

Table 15: Aggregate rates of labour turnover (%)

	2003	2002	2001	2000
UK	16.1	16.1	18.2	26.6
Ireland	15.7	10.0	–	–

Base: 532

Table 16: Has labour turnover changed between 2002 and 2003 in your organisation?

	% of respondents
Yes, increased	33
Yes, decreased	34
No, stayed the same	33

Base: 549

Table 17: Labour turnover rates (%), by reason for leaving

	2003	
Redundancies	1.1	(434)
Dismissed	1.1	(433)
Fixed-/short-term contracts	1.2	(368)
Retired	0.6	(383)
Voluntary	9.8	(473)

Rate shown is average turnover, by reason, of all organisations supplying this information (number of respondents shown in brackets).

Table 18 shows labour turnover rates by industrial sector for all leavers and voluntary leavers. Sample sizes are small in some sector groups (ie fewer than 10), so results must be interpreted cautiously.

The highest levels of turnover are in the private sector, where the overall turnover rate is 20.5%. While there are variations between different industries, it is noticeable that, as reported in 2002, rates are exceptionally high in call centres (50.9%) and hotels, catering and leisure (45.7%).

Table 18: Labour turnover rates, by industry sector (UK and Ireland) (%)

	All leavers		Voluntary turnover	
Manufacturing and production	13.8	(169)	6.5	(150)
Agriculture and forestry	20.7	(3)	3.1	(3)
Electricity, gas and water	8.6	(5)	5.2	(4)
Engineering, electronics and metals	12.0	(45)	5.4	(41)
General manufacturing	13.0	(22)	8.2	(18)
Textiles	13.5	(3)	9.6	(3)
Chemicals, pharmaceuticals and oil	11.7	(22)	5.8	(21)
Mining and quarrying	15.4	(4)	11.6	(3)
Construction	20.2	(18)	14.8	(17)
Food, drink and tobacco	21.0	(10)	6.6	(9)
Paper and printing	9.7	(10)	4.2	(9)
Other manufacturing and production	16.4	(27)	7.8	(22)
Voluntary, community and not-for-profit	15.5	(37)	10.4	(31)
Housing association	17.6	(16)	10.2	(15)
Charity services	11.7	(8)	11.1	(5)
Care services	17.5	(7)	12.7	(6)
Other voluntary	15.4	(6)	10.0	(5)
Private sector services	20.5	(243)	12.9	(220)
Professional services	12.5	(31)	9.5	(26)
Finance, insurance and real estate	16.0	(48)	11.5	(45)
Hotels, catering and leisure	45.7	(17)	34.0	(17)
IT services	18.7	(28)	9.3	(26)
Call centres	50.9	(6)	33.4	(6)
Media and publishing	22.9	(8)	16.5	(7)
Retail and wholesale	27.2	(42)	17.8	(37)
Transport and storage	17.8	(17)	10.1	(17)
Communications	27.1	(8)	18.1	(6)
Other private services	18.1	(38)	12.4	(33)
Public sector services	12.4	(81)	7.5	(72)
Local government	11.9	(17)	8.0	(17)
Central government	12.2	(12)	5.4	(11)
Education	13.9	(19)	9.2	(16)
Health	11.7	(16)	7.5	(11)
Other public services	10.9	(17)	5.2	(17)

Number of respondents shown in brackets.

Table 19 shows labour turnover by both occupation and industry sector. Services staff (personal protective, customer services staff and sales personnel) have the highest levels of turnover (17.7%), followed by manual/craft workers (15.7%) and administrative or technical staff (15.4%)

Table 19: Labour turnover, by occupation and industry sector (UK and Ireland) (%)

	Manufacturing and production		Voluntary, community, not-for-profit		Private sector services		Public sector services		All	
	Median		Median		Median		Median		Median	
Managers and professionals	12.4	(51)	12.5	(15)	13.4	(78)	10.5	(28)	12.5	(172)
Administrative, secretarial and technical	17.1	(48)	9.5	(17)	15.4	(71)	15.4	(29)	15.4	(165)
Services (customer, personal, protective and sales)	15.1	(36)	9.4	(12)	32.6	(44)	10.5	(12)	17.7	(104)
Manual/craft	13.9	(52)	11.4	(9)	25.7	(26)	15.2	(18)	15.7	(105)
Graduate trainees	1.6	(14)	100.0	(6)	0.0	(20)	4.8	(6)	1.6	(46)
All employees	13.8	(169)	15.5	(37)	20.5	(243)	12.4	(81)	16.1	(530)

Number of respondents shown in brackets.

Redundancies and recruitment freezes

For the first time, this year we asked how many organisations had made ten or more people redundant, as we felt this would provide a more helpful figure to gauge the extent of the practice. As Table 20a shows, just over a third of respondents to this part of the questionnaire had done so.

Seen as a proportion of aggregate turnover, the number of people actually leaving organisations via either voluntary or compulsory turnover remains small (see Table 17, page 22).

Almost 1 in 4 respondents operated a recruitment freeze during 2003. This is around 5 percentage points less than the figure reported for 2002 (see Table 20b).

Table 20a: Respondents making ten or more redundancies and/or using recruitment freezes in 2003 (%)

	Voluntary and/or compulsory redundancies (ten or more)	Recruitment freezes
UK	34 (133)	25 (123)
Ireland	34 (19)	37 (27)

Base: 446 (supplying details of any redundancies); 565 (recruitment freezes across the whole organisation). Number of respondents shown in brackets.

Table 20b: Respondents making any redundancies and/or using recruitment freezes, 2000–2002, UK (%)

	Voluntary and/or compulsory redundancy (any)	Recruitment freezes
2002	56 (320)	30 (168)
2001	47 (251)	32 (148)
2000	47 (286)	25 (138)

Number of respondents shown in brackets.

The most important reasons for redundancies are shown in Table 21. In a competitive market place, it is unsurprising that budget pressures and efficiencies feature heavily.

In addition to the above, reorganised working methods are cited by 3 in 10 UK respondents as the most important reason for redundancy, and 4 in 10 in Ireland. The CIPD's Organising for Success research has highlighted the frequency with which large firms undertake major reorganisations (estimated at once

every three years) and the importance of 'organising' capabilities as a means to gain competitive advantage. With this end in mind, it should be remembered that the practice of simultaneous recruitment, redundancy and redeployment means new jobs may also be created a result of a reorganisation.

The decision to move jobs overseas is selected as the most important reason for redundancy by only one UK respondent.

Table 21: Most important reason for redundancy (where ten or more employees are affected)

Reason	% of UK respondents	
Reductions in budget/cash limits	38	(35)
Improved competitiveness/efficiency/cost reduction	37	(40)
Lack of demand for products/services	34	(29)
Plant/office closure	34	(22)
Reorganised working methods	31	(32)
Merger/acquisition	22	(8)
Automation/mechanisation/new equipment	12	(7)
Relocation of jobs overseas eg off-shoring	3	(1)

Number of respondents shown in brackets. Irish data not shown due to low response rate.

Labour turnover and organisational performance

Figure 10 indicates that organisations are more likely to see turnover as having a detrimental effect than a positive one, although in most cases this is viewed as a minor rather than a serious effect.

Perhaps unsurprisingly, organisations facing high levels of labour turnover are more likely to report it as negatively affecting organisational performance. For instance, 79% of organisations with labour turnover exceeding 10% report a negative effect on organisational performance, compared with 21% of organisations with labour turnover or 10% or less. Over half of UK organisations, and 45% in Ireland, want to reduce their turnover levels (see Figure 11).

One focus group member working in a sales environment had identified a correlation between regions with the lowest turnover and those with the highest sales. It was also highlighted that some staff may be more valuable to the business than others, with one company separately tracking turnover rates among identified high-performers. The group also identified occasions when high turnover could be beneficial. For example, one member had experience of an organisation with very low turnover and a 'stagnating' atmosphere, which made it difficult for employees to embrace change.

Figure 11: During 2003 did your organisation want to ...

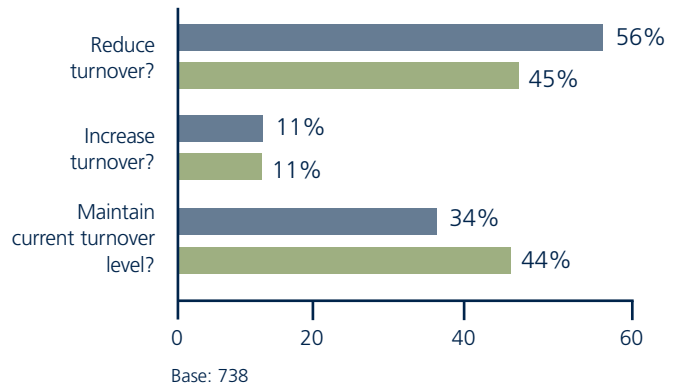
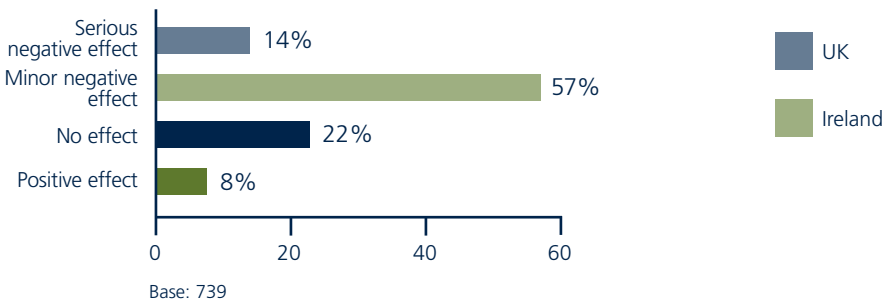


Figure 10: Effect of labour turnover on organisational performance



Comic Relief: turnover and organisational learning

Over the last decade Comic Relief has moved from being an organisation which ran a series of one-off events to being a permanent establishment.

Now with nearly 100 permanent employees, the organisation still needs to respond to bursts of activity around the yearly cycle of Red Nose Day and Sports Relief campaigns. Campaign budgets require the hiring of a large marketing team on fixed-term contracts. They join several months in advance of the launch, and leave once the campaign is over. The following year a fresh team will come on board. This churn raises issues in terms of organisational learning. With constant and regular turnover, how can you make sure you're not losing valuable knowledge?

Comic Relief has responded by setting up a permanent Campaign Management Department in addition to the temporary marketing team. They are working to put together blueprints of 'what works best, what doesn't work' as a template that can be used year in, year out. There is also a permanent head of campaign management rather than campaign managers who come and go.

Finally, the organisation is responding to the turnover challenge by investing in raising line manager capability.

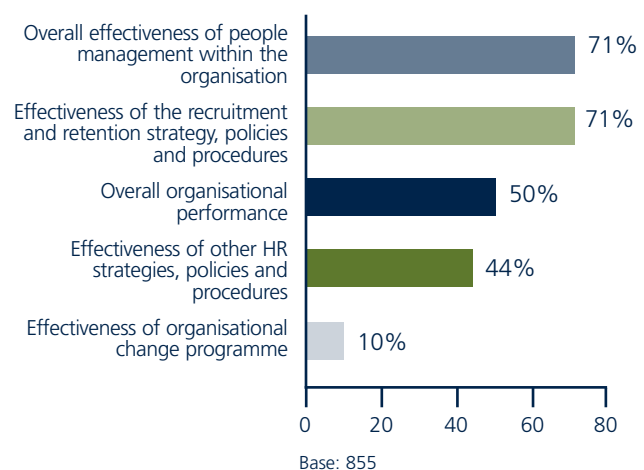
Information supplied by John Rolls, HR Manager, Comic Relief

Why analyse labour turnover?

HR metrics such as turnover rates came under the spotlight in 2003 as a result of work carried out by the Department of Trade and Industry's Accounting for People Taskforce. Charged with considering how organisations can measure and report on the effectiveness of their human capital management, the taskforce found growing acceptance that 'the way organisations manage their people has an impact on their performance.' Their report (launched in November 2003 and informed by the CIPD's Human Capital: External reporting framework research) includes a set of general principles for reporting. A consideration of both recruitment and turnover levels was highlighted within this set of principles.

In this context, it is interesting to see the reasons provided by HR professionals themselves when asked why they collect and analyse labour turnover, presented in Figure 12. The value of this information as an indicator of organisational performance is, for example, highlighted by almost half of respondents.

Figure 12: Reasons given by organisations for collecting and analysing labour turnover information



Why do people leave?

The focus group felt strongly it was important to understand why and when individuals left their organisation in order to take appropriate action. Most (94%) of organisations investigate why people leave and the methods they use to uncover the reasons are identified in Figure 13.

The focus group was surprised at the small proportion of organisations using the opportunity of staff attitude surveys to help understand why people might leave. It was felt that this was a chance for organisations to gain much better-quality information from their people (in confidence). This could be used to inform retention strategies before individuals made the decision to hand in their notice.

As in 2002, exit interviews (most frequently conducted by the HR department) are the most common method of ascertaining why people leave. However, the focus group felt that contentious issues (for example, bullying) are likely to be ducked in this environment, as individuals do not want at this stage to make unnecessary enemies. It was suggested that 'pay' was an easy explanation to use in an exit interview, which was likely to mislead employers when it came to understanding why an individual had decided to leave.

Survey participants were asked to highlight the three key reasons for staff turnover in their organisations. The results are shown in Figure 15. Decisions to leave based on career or developmental or opportunities

Figure 13: Methods used by organisations to investigate the reasons as to why people leave

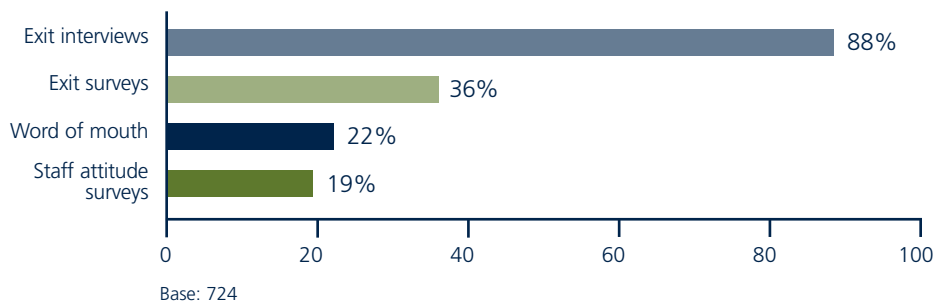


Figure 14: Exit interviews normally conducted by ...

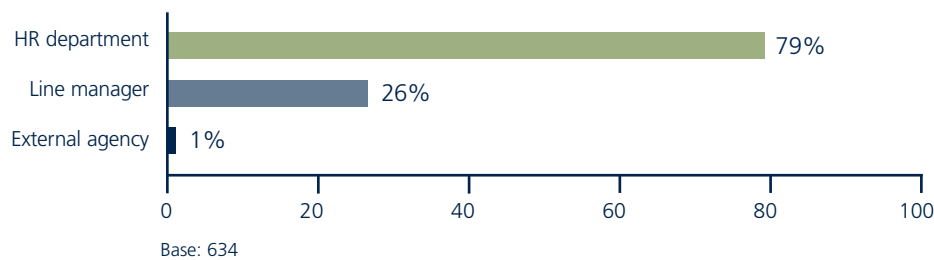
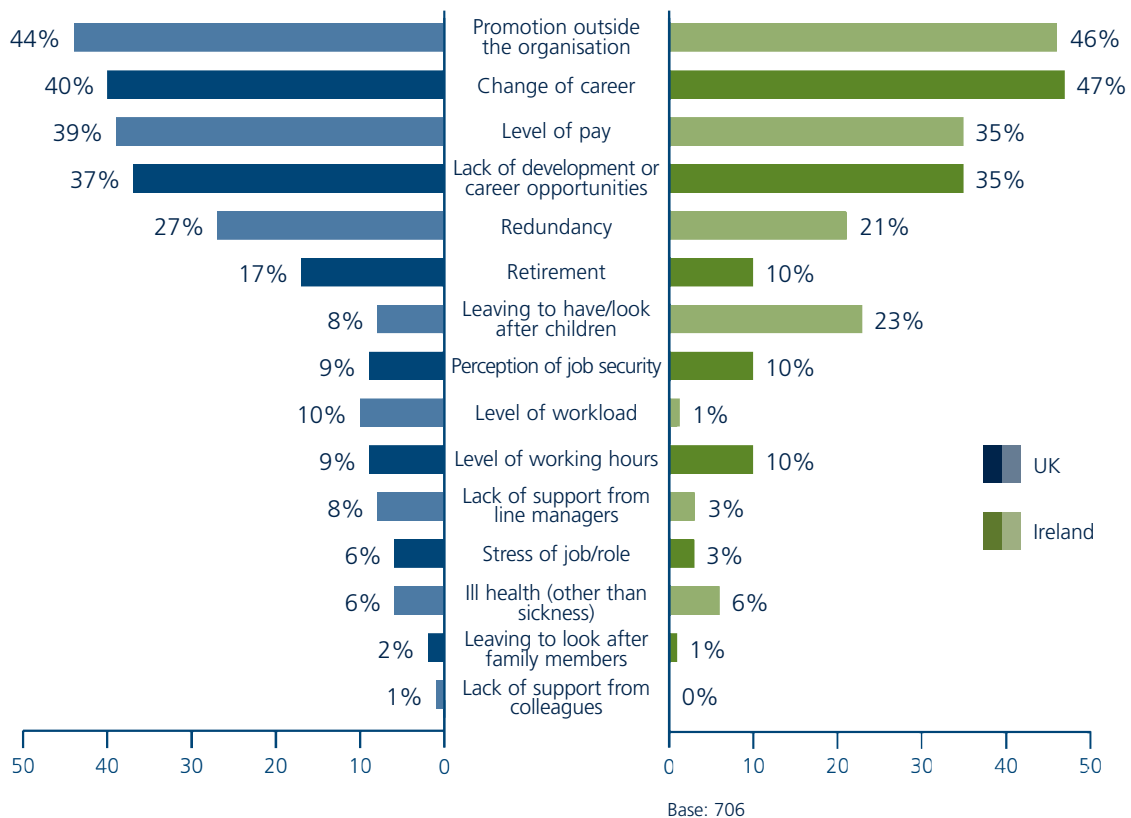


Figure 15: Main reasons for labour turnover



outside the organisation all feature prominently, with the most frequently cited reason being moves amounting to promotion elsewhere.

The focus group was also struck by the high proportion of early departures among new staff; 1 in 5 new employees leave after less than six months, and half of the leaving population have only two years' service (see Table 22). It was emphasised that the costs of recruitment and turnover per individual become much more harmful to the organisation when new staff leave after only a short period of time.

Table 22: Job tenure – leavers' length of service (UK and Ireland)%

Percentage of employees ...	2003	2002 (UK only)
with 0–6 months' service	20	23
with 7–23 months' service	30	30
with 2–5 years' service	24	24
with more than 5 years' service	23	22

Base: 356

Retention

Keeping hold of your talent

Retention difficulties

The proportion of organisations experiencing retention difficulties increased to 77% during 2003 in the UK compared to 72% the previous year (see Table 23). Retention difficulties are most pronounced in the not-for-profit sector and private sector services. The manufacturing and production sector is least likely to report problems.

Table 24 shows retention difficulties by occupation among participants reporting this as a problem.

Addressing staff retention

The kind of steps organisations are taking to hang on to their people are shown below in Table 25. Activities to improve employee communication and involvement are most frequently cited. This may reflect steps being taken in anticipation of the implementation of the Information and Consultation Directive beginning in 2005.

Table 23: Organisations experiencing retention difficulties (%)

	% of respondents
UK	77
Manufacturing and production	69
Voluntary, community, not-for-profit	80
Private sector services	83
Public sector services	76
2002 (UK only)	72
Ireland	69

Base: 776

Table 24: Retention difficulties, by occupation

	% of respondents	
	UK	Ireland
Services (customer, personal, protective and sales)	27	15
Managers and professionals	26	18
Manual/craft	26	20
Administrative, secretarial and technical	19	20
Graduate trainees	2	7

Base: 776

Table 25: Steps taken specifically to address staff retention in 2003

	% of respondents	
	UK	Ireland
Improved employee communication/involvement	47	47
Improved induction process	43	34
Increased learning and development opportunities	41	44
Improved selection techniques	41	33
Made changes to improve work-life balance	33	32
Increased pay	33	32
Improved line management HR skills	33	25
Improved benefits	25	27
Revised way staff are rewarded so their efforts are better recognised	20	17
Offered coaching/mentoring/buddy systems	20	15
Made changes to the way the organisation approaches career management	16	18
Improved physical working conditions	16	16
Levels of pay and conditions better publicised	14	16
Redesigned jobs to make them more satisfying	10	9
Increased diversity of staff	8	6
Used recruitment/induction bonuses	8	–
Removed age-related policies and practices	6	1
Other	3	–
My organisation has not undertaken any specific initiatives	14	17
None needed	–	–

Base: 785

Aviva: a 'flexible' approach to the call centre challenge

Aviva is concerned about attracting and retaining their call centre staff. After piloting in 2002, a range of flexible working options were made available to staff last year. These included:

- 'compressed working'
- flexi-shifts
- term-time working
- the chance for students at the local university to fit work around their pattern of study.

Since the introduction of the new working patterns, the take-up has been marked and morale has improved. Aviva has also seen an increase in productivity. Giving people more control over their hours appears to mean more focus when they are at work. The increased flexibility they have to balance work and other commitments means, for example, they can organise non-urgent appointments on their days off.

The new working arrangements are also starting to attract a different kind of applicant. Previously, call centre employees tended to be a young and transient population. 'Flexi-shifts' are now proving particularly appealing to mothers looking for a suitable way back into the workplace.

Information supplied by Hilary Oliver, Director of Reward, Aviva plc

Counting the cost

Table 26: Estimated cost of recruitment per individual employee during 2003

Occupational group	UK Cost (£)		Ireland Cost (€)	
Managers and professionals	5,000	(175)	6,000	(23)
Administrative, secretarial and technical	1,500	(171)	1,700	(21)
Services (customer, personal, protective and sales)	2,000	(121)	2,040	(11)
Manual/craft	750	(89)	510	(10)
Graduate trainees	900	(74)	510	(8)
Cost of recruitment – all employees	2,500	(193)	2,125	(27)

2002 data not available. Number of respondents shown in brackets.

We sought to understand more about the HR function's knowledge of the direct and indirect costs of recruitment and turnover.

We found that less than half of survey respondents (46%) calculate the costs of recruitment and a very small proportion (7%) calculate the more extensive costs of turnover.

Where organisations do calculate the costs of recruitment (ie advertising costs, agency or search fees), they were asked to provide estimates relating to a range of occupational groups (see Table 26 below). In the UK the cost of recruiting the average employee is £2,500. This figure doubles when considering the costs of replacing a manager or professional.

Calculating the cost of turnover is not straightforward. Organisations may use different methods and measures. Focus group members indicated these could range from direct costs such as recruitment and training through to indirect costs such as lost time with customers, time spent 'getting up to speed' in the induction period and the potential impact of turnover on staff morale and productivity. The potentially huge impact of loss of individual know-how and personal relationship was highlighted (see Genesis Housing Group, page 34).

This complexity (and the time taken to make calculations) seems to contribute to the very low percentage of organisations calculating the cost of turnover (see Table 27). In the case of over half of respondents, however, the reason given is the belief that the organisation does not require this information. Given the aspirations of the HR function to be more strategic (highlighted in the 2003 *HR Survey: Where we are, where we're heading*) there remains a great deal of potential for adopting a proactive approach to managing the costs of individuals leaving the organisation.

Table 27: Reasons given by organisations for not calculating the cost of turnover

	% of respondents
Organising does not require information	54
Too time-consuming	31
Too complicated	17
Too costly	1

Base: 652

Genesis Housing Group: turning around the costs of turnover

Genesis Housing Group was experiencing very high turnover. Key performance indicators for the organisation (maximising property occupancy and effective management of arrears) were highly dependent on the skills and relationships developed by individual housing workers. The cost of providing (more expensive) agency cover for projects when staff levels were insufficient was also a major concern.

HR took steps to convince the senior management team of the impact this turnover was having on the organisation – and to win support for initiatives to improve retention.

A quarterly report capturing a range of HR indicators, including the costs of turnover and recruiting new staff, was set up. It demonstrated:

- the direct costs of advertising and recruiting a replacement
- the indirect costs of agency staff incurred as a result of members of staff leaving.

Once senior management was convinced of the reliability of the figures, they took seriously the need to get turnover down. Attributing costs to turnover meant they could see the seriousness of the issue in financial terms – and also the opportunity to increase productivity and customer satisfaction.

Finding out why members of staff were leaving was perceived to be crucial. Staff satisfaction surveys were carried out by individual sections to find out areas of concern prior to people deciding to hand in their notice. A review of the organisation's reward strategy also took place.

As a result of this focus on managing turnover, Genesis was able to reduce turnover from 24% to 17% over 18 months, saving the organisation approximately £250,000.

Information supplied by Pete Jeffery on behalf of Genesis Housing Group

The findings from the small proportion of organisations who could supply estimated costs of turnover are presented in Table 28. In view of some small sample sizes, these should be interpreted with a degree of caution. The estimated cost of labour turnover per individual leaver is £4,800 (compared to £4,301 in the previous 12 months).

Table 28: Estimated total cost of labour turnover per leaver in 2003

Occupational group	Cost (£)	
Managers and professionals	7,000	(30)
Administrative, secretarial and technical	2,500	(27)
Services (customer, personal, protective and sales)	3,100	(20)
Manual/craft	1,500	(12)
Graduate trainees	2,200	(11)
Cost of turnover – all employees	4,800	(33)

Data for Ireland is not presented due to insufficient data being available. Number of respondents shown in brackets.

The challenge ahead

So, what are the 'big issues' currently facing those involved in the recruitment and retention of their organisation's people?

We asked an open question to our survey participants to identify the three main challenges they faced in recruiting and retaining their people at the time they completed the questionnaire (February/March 2004). A significant number of respondents, 807, took the opportunity to provide us with one or more identified challenges. The findings are presented in Table 29.

While some themes identified reflect the individual circumstances of the organisation, some interesting and more general preoccupations emerge. Keeping up with inflation in salaries and skills shortages clearly represent major challenges for a significant proportion of personnel professionals in 2004.

Table 29: Main challenges in recruitment and retention

	% of respondents
Keeping up with inflation in salaries	34
Skills shortages/locating specialist skills	32
Little room for progression in organisation	19
Competitive market	13
Selecting/attracting the right people	13
Retaining employees	12
Benefits and bonuses	9
Perception of industry	6
Location of company	6
Training and development	6
Manager skills level/training	5
Housing/cost of living	5

Base: 807

Key challenges and implications in recruitment, retention and turnover

For the first time, this year the CIPD has combined its annual surveys on recruitment and labour turnover, asking the same sample of respondents to provide information about both the exit and entry of employees. The survey thus gives a picture of the way that hundreds of organisations in the UK and Ireland perceive the relationship they have with their labour markets and how they interact with them.

The survey paints a mixed picture. For between a quarter and a third of organisations, 2003 saw redundancies and recruitment freezes in at least some of their operations. For most, however, shedding staff was not on the agenda. Instead, their problem was attracting people of the right calibre. As many as 8 in 10 of the survey's respondents reported finding one or more categories of vacancies particularly difficult to fill. So, in most sectors it is clear that labour markets remain pretty tight, reflecting historically low levels of unemployment.

This state of affairs is clearly causing operational difficulties. The average length of time taken to fill a vacancy was more than two months (considerably more for management and professionally qualified people), leaving staff with additional work and organisations with a bill for overtime or temporary cover, in addition to the £2,500 or so they pay on average to recruit a new member of staff.

The survey shows that the source of the problem is principally skills shortages. Over 29% of respondents report getting no applicants at all when some vacancies are advertised, while the applicants who do come forward often lack the basic skills and experience that are being sought. Some people will not take the salary that can be afforded by the employer, while others turn offers down because of housing costs in particular areas. But for the most part the labour market is simply not able to provide the kind of people employers are looking for.

Yet the survey suggests that few are tackling this problem in a particularly strategic or creative way. More money appears to be being spent on recruitment processes, candidates being sourced via a wider variety of internal and external channels, but it is only a minority of organisations who report reviewing the organisation of work, training up internal candidates, redefining job content, recruiting overseas or even offering more flexible patterns of hours. Succession planning, where it is carried out at all is undertaken on an ad hoc basis by most. Few appear to appreciate that the skills shortages they face are endemic, long-term problems that are not going to ease in the foreseeable future.

The overall turnover rate for the UK as a whole is 16.1% (15.7% in Ireland), which is rather lower than has been reported by the CIPD and by other surveys in recent years, but this masks substantial differences between the sectors. In most, voluntary turnover stands below the 10% mark, or is only slightly above. This is manageable and is considered to be either acceptable or even too low by over 40% of respondents.

While almost 8 in 10 organisations report retention difficulties, only 14% say that staff turnover is at high enough levels to seriously negatively effect their organisation's performance. These, one assumes, are respondents from the sectors in which staff turnover is highest, namely call centres, hospitality, retailing and communications.

The survey's respondents list many reasons for people leaving, but also state in most cases that this data is gathered from exit interviews – a diagnostic tool which has long been considered to be a highly unreliable source of information about the true reasons for resignations.

Some of the most revealing data in the survey concerns the proportion of departures from organisations which are not classed as voluntary by respondents. A proportion of these can no doubt be accounted for by redundancies and fixed-term contracts coming to an end, but most must be involuntary dismissals of other kinds. The numbers in some sectors are strikingly high. For example, according to the survey, some 40% of staff turnover in public service organisations is 'involuntary'. In hotels, catering and leisure the figure is over 25%, and in call centres over 35%. This suggests that many organisations are responding to recruitment difficulties by appointing unsuitable people, and are then having to 'let them go' some weeks or months later. Poor, rushed decisions at the recruitment stage are thus apparently contributing in a major way to subsequent staff retention problems.

The survey also shows that the costs of staff turnover are not formally estimated by a majority of respondents. Moreover, those who do provide figures appear to underestimate the true costs in terms of lost productivity or opportunities, which detailed studies show to be equivalent to between six and eighteen months' salary in most cases. It is important to remember that these costs apply just as much in the case of involuntary turnover as they do when people leave voluntarily. A dismissal that occurs because a poor hiring decision was made in the first place brings to an end a costly and unproductive staffing episode.

The findings of this survey thus back up the case for systematic costing of staff turnover. Only when organisations in the high-turnover sectors calculate for themselves how much the loss of staff is costing them can a case be put for the targeting of resources on turnover-reduction initiatives. The survey suggests that spending money on training managers to make more considered and less hasty recruitment decisions is likely to prove a good investment, leading to substantial long-term savings.

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Background to the survey

This is the first CIPD survey to combine coverage of issues and trends in recruitment and selection, retention and turnover. In the past, the Institute has carried out nine annual labour turnover surveys and seven annual surveys relating to recruitment.

The survey was carried out in February/March 2004 and relates to the period from 1 January to 31 December 2003. The questionnaire was sent to personnel professionals in the private, public and voluntary sectors. In total, 976 responses were received – 868 from the UK and 108 from Ireland.

A profile of the survey respondents is provided in the map below.

Table 30: Location of staff (all respondents)

	% of respondents
Whole UK	24
East	7
London	21
Midlands	19
North-east	9
North-west	5
Northern Ireland	5
Scotland	12
South-east	22
South-west	14
Wales	8
Yorkshire and Humberside	11
Ireland	13

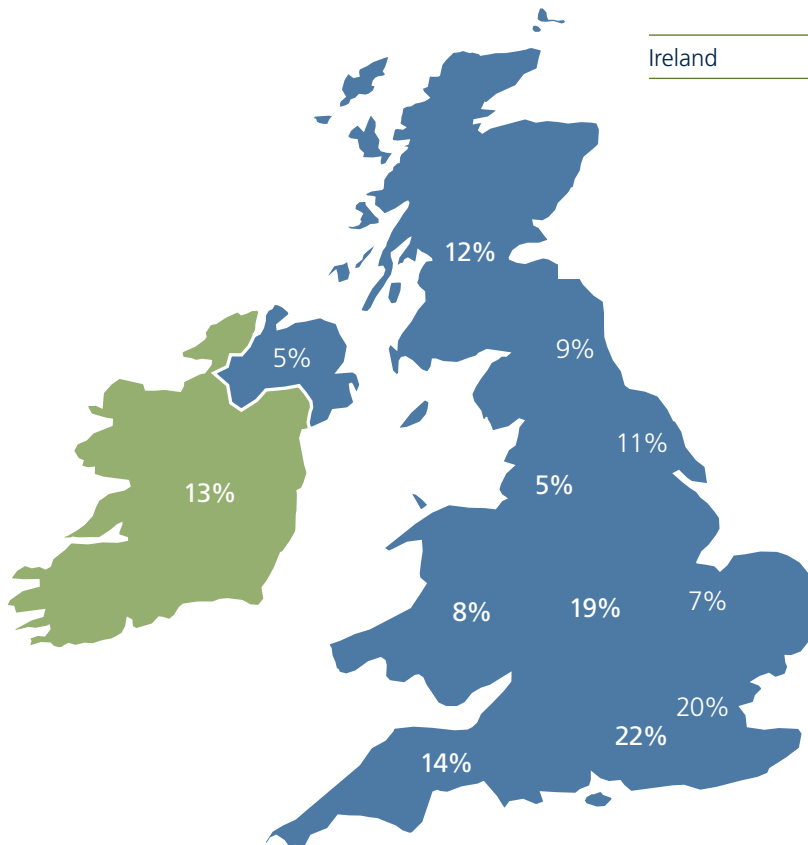
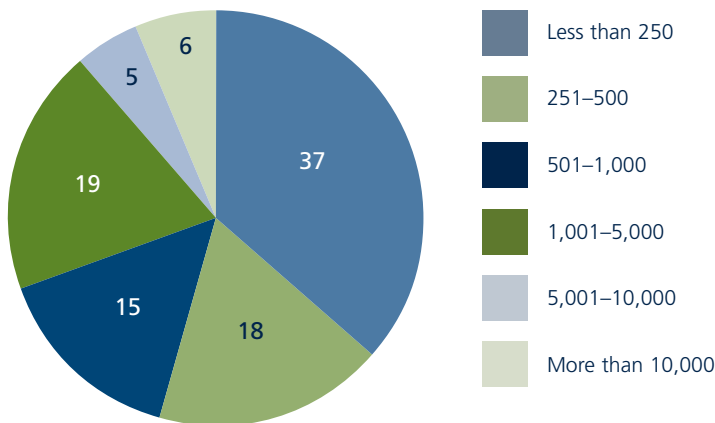


Table 31: Industrial sector of respondents

	Number of respondents	% of respondents
Manufacturing and production		
Agriculture and forestry	4	0.4
Electricity, gas and water	10	1.0
Engineering, electronics and metals	71	7.3
General manufacturing	31	3.2
Textiles	4	0.4
Chemicals, pharmaceuticals and oil	38	3.9
Mining and quarrying	4	0.4
Construction	29	3.0
Food, drink and tobacco	44	4.5
Paper and printing	11	1.1
Other manufacturing and production	54	5.6
Total	300	30.8
Voluntary, community and not-for-profit		
Housing association	23	2.4
Charity services	16	1.6
Care services	12	1.2
Other voluntary	11	1.1
Total	62	6.3
Private sector services		
Professional services	48	4.9
Finance, insurance and real estate	81	8.3
Hotels, catering and leisure	37	3.8
IT services	44	4.5
Call centres	6	0.6
Media and publishing	16	1.6
Retail and wholesale	84	8.6
Transport and storage	33	3.4
Communications	13	1.3
Other private services	64	6.6
Total	426	43.6
Public sector services		
Local government	42	4.3
Central government	32	3.3
Education	43	4.4
Health	37	3.8
Other public services	30	3.1
Total	184	18.9

Figure 17: Breakdown of sample (percentage of respondents) by organisation size



Recruitment

A total of 976 respondents supplied information relating to their organisation's recruitment and selection processes. Of these, 804 participants indicated they were able to provide information on behalf of their whole organisation and 165 participants supplied information relating only to one particular unit, department or region.

Turnover

In all, 532 respondents were able to supply us with the information necessary for us to calculate turnover on a 'whole organisation' basis, in keeping with the 2003 labour turnover survey.

The report uses the standard 'crude wastage method' to calculate the rate of turnover. This method is calculated as follows:

$$\text{Labour turnover} = \frac{\text{Number of leavers in a set period}}{\text{Average number employed in the same period}} \times 100$$

(NB Leavers include those leaving the organisation by way of voluntary or involuntary severance, redundancies or retirements, but do not include internal transfers).

However, readers should be aware that this method does have some shortcomings. For example, it takes no account of the characteristics of the workforce or the length of service of the leaver.

'Average' in the report is used to refer to the statistical mean where the data is normally distributed, and to the median in cases where the distribution is significantly skewed. Note that in cases where the group sample sizes are small (ie fewer than ten) the results should be interpreted with caution.

Further reading

The commentary in this research was informed by the following pieces of CIPD research:

The challenge of the age. Change Agenda. 2003.

HR survey: Where we are, where we're heading. Survey Report. 2003.

Human capital reporting: External reporting framework. Change Agenda. 2003.

Reorganising for success: CEOs' and HR managers' perceptions. Survey Report. 2003.

All of the above are free for CIPD members to download from the Information Resources section of the CIPD website: www.cipd.co.uk

Organising for success in the twenty-first century. Research Report. 2002.

Available from the CIPD online bookstore.

Acknowledgements

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Thanks also go to members of the CIPD Recruitment Forum and others for their help in piloting the survey questionnaire and sharing their thoughts and experiences in the survey focus groups.

We hope that you find the research useful when considering your own recruitment and retention practices. Please do contact us if you have any questions or ideas based on our findings, at research@cipd.co.uk.

Notes

Notes



The CIPD explores leading-edge people management and development issues at a strategic level. Our aim is to share knowledge to increase learning and understanding. Our purpose is to make people more effective in their jobs and enhance their contribution to the business.

We produce annual surveys on:

- employee absence
- recruitment, retention and turnover
- reward management
- training and development.

Survey reports are available to download from www.cipd.co.uk/surveys

Topical survey reports are also produced on key people management and development issues.

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