

# **Perspectives on Staff Turnover in Agriculture**

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## **Abstract**

This study set out to discuss staff turnover, the factors that drive turnover and the implications of varying levels of turnover on the productivity and profitability of a business. Of particular interest was the examination of staff turnover in the agricultural sector in New Zealand the current levels and the factors driving turnover. Current statistics suggest that turnover levels in agriculture, particularly in the Sheep & Beef and Dairy sectors, appear to be quite high. This image is contributing to an unrealistic view that careers in agriculture are undesirable for potential new entrants. Given the continuing need for human labour, albeit at a reduced rate (compared to a generation ago), it is vital that some effort is expended in identifying causes of negative perceptions agricultural careers. This study's aim is to explore turnover as one of the contributing factors to agriculture's negative image.

## **Objectives**

There is no doubt the requirements of the agricultural workforce has altered in the last 50 years. But equally there can be no doubt that agriculture will continue to require human labour at a number of different levels. Not all entering the agricultural workforce wish to be, or are able to be, in the management ranks, and the sector cannot function without each tier of staffing playing its part well. As employers, the industry must become clearer about the skill set required from each employee for the role they are being hired to fill, and hire with that set of requirements firmly in mind. Having successfully recruited the organization must then maximize the potential positive outcome for both the organization and the individual.

The aim of this project is to clearly identify the most significant factors driving the current levels of turnover in agricultural businesses. Having identified those factors most deserving of attention, a concise document will be constructed to assist employers in focusing on the factors which potentially have the most motivational impact on employees. This will maximize the potential for a mutually beneficial employment arrangement. In achieving a better understanding of good employment practices agricultural businesses could achieve greater productivity through enhanced employment outcomes. This will also assist in the drive to transform the current mindset that agriculture has no future as a worthwhile career.

## **Introduction**

The decline in participation in farming occupations has been signaled since the early 1980's. The removal of agricultural subsidies and the subsequent downturn in economic fortune, exacerbated by the stock market crash in the late 80's saw many agricultural businesses fail. It also signaled a sea change in the allure of agricultural careers. Farming sons and daughters were being encouraged to pursue other career prospects before coming back to the farm, if indeed they returned at all. In fact what happened was a number of these businesses went to the wall before succession could take place. In many cases these young men and women found careers they were eminently more suited to or at least found more rewarding for a number of different reasons.

Since that time agriculture has struggled to promote itself as a worthwhile career pathway and is often portrayed as the domain of those who don't 'do well' at school. Agriculture is now enjoying improved returns but is facing some limitations to productivity and profitability through the lack of skilled labour. This is causing some poor recruitment decisions which is exacerbating the negative portrayal of agricultural careers through unnecessary turnover.

This study will define staff turnover and consider some of the factors contributing to turnover that are most worthy of discussion in terms of relevance to agriculture in New Zealand. The aim is to heighten awareness of both employees and employers motivating drivers in relation to employment relationships.

In examining the current levels of staff turnover and the factors contributing to those levels, the process will allow the identification of some actions that may address the pervading view that agriculture is not a rewarding career pathway.

Four questions need to be asked in order to better understand the issue –

- **What is turnover?**
- **What drives turnover?**
- **What is the current level of turnover?**
- **Why does it matter?**

Careers in agriculture have long been held with a degree of disdain by educationalists and have been regarded as suitable for those who have demonstrated limited ability through the traditional educational system. In fact one well regarded secondary boys' school with a significant patronage from the rural sector has a headmaster who believes his boys should aspire to more than 'just farming'. It could be that the agricultural industry has therefore been attracting more than its fair share of low skilled workers which can create a self-fulfilling turnover problem

In researching agricultural staff turnover it became obvious there is a shortage of statistical evidence specific to pastoral land based farming. The inclusion of forestry and fishing and the inability to remove purposeful seasonal labour data may obscure the realities of Sheep & Cattle and Dairy staff turnover, and the causative factors within that agricultural sector. The data that was available almost raised more questions than it answered.

For the purposes of this project 2 surveys were carried out. The first, a broad based survey gave the opportunity to identify the factors most deserving (interesting) of further investigation. The second survey asked 2 questions only, exploring the factors contributing to job satisfaction and engagement.

## What is Turnover?

Mobley (Mobley, 1982) described employee turnover as "The cessation of membership in an organization by an individual who received monetary compensation from that organization". (Price, The Study of Turnover, 1977) defines the composition of turnover as 'Accessions' who are new hires, and 'Separations' those that can be categorized as quitters, terminations, transfers and promotions.

Turnover considers the movement both into and out of an organization and also within the organization. Turnover comes in two forms – Voluntary and Involuntary. Voluntary turnover refers to the employment terminations done at the will of the employee. Involuntary turnover refers to employee terminations instigated by the organization, which may be due either to an employee being fired, or being laid off.

(March & Simon, 1958) suggest that an employee would remain with an organization for as long as he felt the rewards were as great, or greater than the effort he expended. If this was not the case he would search for alternatives.

When an employee's expertise is lost to an organization it obviously creates a negative impact. Turnover is described as wastage when it generates a negative impact on the organization. Turnover though can be positive for an organization.

Functional Turnover refers to the loss (either voluntary or involuntary) of low performing employees which could be considered a positive turnover function. While there is still some cost to this loss it could be that it is more than offset by replacing that employee with a higher performing employee, or at least by one who is not creating negative energy in the workplace, therefore enabling the organization to be more functional.

Dysfunctional turnover, relates to the turnover of employees who are high performers and will therefore have the greatest negative impact on the company's productivity and performance. High turnover of these employees can lead to a greater level of low performing employees being employed consequently the cycle becomes self-perpetuating due to the remaining employees having to take on greater responsibility to accommodate the newcomers. This form of turnover should be a major concern to an organization.

Turnover should not be considered in isolation. Labour turnover measures the proportion of the labour force that leaves an organization over a given period. This could be the same job time and again. Therefore it is necessary to consider the stability of the workforce. Stability measures the extent to which the labour force is unchanging. The turnover rate calculation on its own does not take into account who is turning over, i.e. is it the whole workforce over a period, once or a ¼ of the workforce 4 times.

The effectiveness of the organization is far more threatened by the 100% staff turnover option than the 25% option due to potential loss of organizational knowledge and capability. It may also indicate a problem in a particular area of the organization, which, if identified can be addressed. Therefore staff stability, and the analysis of any anomalies, is an important factor.

Farms typically operate on low staff numbers therefore it is particularly important for organizational effectiveness to obtain low turnover.

There are a number of calculations put forward by various experts e.g. (Price, 1977) to quantify the levels of turnover. The simplest calculation to determine the turnover rate for a

small organization, given the low numbers of members is a combination of the instability rate and the crude separation rate.

|                    |  |
|--------------------|--|
| Separation Rate =  | $\frac{\text{Number of members who left during a period}}{\text{Average number of members during the period}}$ |
| Instability Rate = | $\frac{\text{Number of beginning members who leave during a period}}{\text{Number of beginning Members}}$      |

Table 1: Calculations to determine turnover rate

## Why does it matter?

It is extremely important to monitor turnover levels for a number of reasons. Both Mobley (Mobley, 1982) and Price (Price, 1977) note that a comprehensive study of organizational turnover provides an early indicator of organizational health.

In monitoring employee turnover an organization is able to assess the current employee satisfaction levels, the impact and efficacy of current recruitment processes and the costs of recruitment, hiring and induction. Turnover levels can also be used to measure the existing leadership capability and effectiveness in the organization.

High Turnover in an organization is detrimental to employee morale and therefore engagement. It is also extremely costly in both direct financial terms and also in organizational capability.

In seeking to minimize turnover, an organization should focus on those members who are valuable to the organization. The reasons for value may be their productivity, their organizational expertise or the part they play in the organizations social dynamics. The important consideration when contemplating turnover is not particularly how many are leaving but the performance and replaceability of those who are leaving.

To determine whether the cost of turnover is positive or negative it must be considered in relation to current performance and potential performance, i.e. functional and dysfunctional turnover. Turnover has been demonstrated in a number of studies to be higher among high performers than in low performers. However, why that is so is not always clear.

(Mobley, 1982) talks about the considerations of turnover from the employee's perspective. There are five general categories to be considered:

1. **Job Satisfaction** is a consistent consideration but not overly strong. It should probably be considered in conjunction with other factors. Job content is a significant contributor to engagement, satisfaction and turnover.
2. **Expectations and evaluation of jobs within the organization** is the employee's expectations of the job and the future of that job and/or the perceptions of other future roles within the organization. Do these factors meet the career aspirations of the employee?
3. **Expectations and evaluation of alternative jobs outside the organization** relates to employees who are dissatisfied or those who are on a targeted career path. These employees may more regularly evaluate opportunities, considering factors such as pay, job content and sizing, flexibility of hours, professional development. It could be quite important to evaluate employee perceptions of opportunities and other variables such as rewards in order to pre-empt employee loss.
4. **Non-work values and roles and their relation to job behaviour** relates to family requirements e.g. schools, location, proximity to friends and family. Given that agricultural employees lives are so inextricably linked with the workplace a greater effort must be made to understand and accommodate non-work needs e.g. time to go to school events.
5. **Turnover behavioural intentions** is a useful tool in anticipating employees employment intentions over a specified time period e.g. over the next 12 months. It is quite common for younger employees in agriculture to move around annually or biennially but it is not common for this intention to be discussed openly.

## Financial Implications

Employee costs typically constitute 60% of an organization's operating costs and it is accepted that in New Zealand over all industries the average employee turnover rate is 12%. This information suggests there is a significant opportunity for cost savings and improved bottom line performance through better employee retention performance.

There are several equations to determine the typical cost of employee turnover. One suggests it is equal to an employee's annual compensation package, e.g. a shepherd earning \$35,000 will cost the organization \$35,000 to replace. Others suggest the turnover cost might be closer to 1/3 of the of the new members salary. This calculation considers all costs to the business in replacing the employee's benefit to the organization. In calculating the cost of turnover, the three broad categories to be considered are the separation costs, the replacement costs and the training costs. These categories include temporary staff, lost productivity - both from employee leaving and those remaining covering the position, the loss of knowledge, skills and contacts, lost benefit of training invested, extra input required from the manager, recruitment costs – advertising, time developing position requirements, reference checks, interviewing time, training costs – managers time invested in orientation (the higher the technical skill level the longer it will take for all necessary capabilities to be fully operational), the costs of mistakes, on-boarding costs – administration, relocation.

An important point to recognize is that the amount is not fixed, it is aligned to the skills and expertise a position requires.

The replacement cost is the average total outlay required to recruit, hire and train an employee to full competency. Therefore the investment period ends at the point of competency.

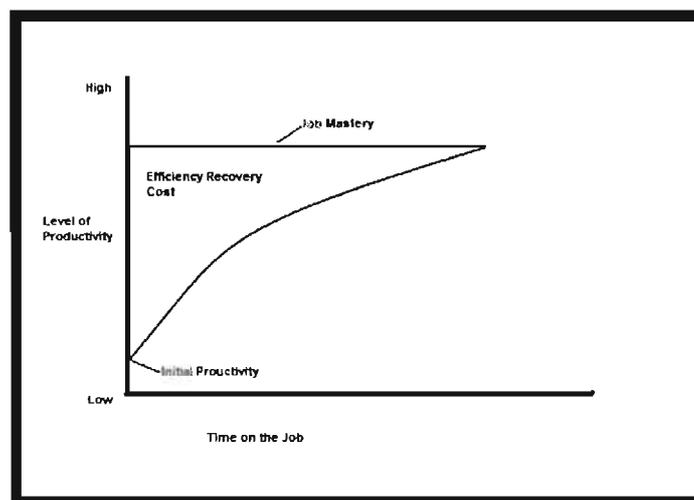


Table 2: Hypothetical proficiency acquisition curve, illustrating the definition of efficiency recovery cost (Mabley, 1982)

It is possible to measure the cost of a departing employee in terms of productivity by measuring the difference in wages between the position's base salary and the current employee's salary. However, if an employee has outgrown their position, the salary may not accurately reflect the employee skill. If an employee leaves prior to reaching full competency the value lost to the organization is not necessarily the current value of that employee but more about the loss of investment. If the employee was not a productive member of the team the net financial result of the departure may be positive, but less easy to calculate.

## **Reduction in Staff Morale**

In regularly monitoring employee satisfaction levels, it is possible for an organization to preempt plummeting staff morale and motivation. The exit interview provides an opportunity for a workplace to gain some insight into the reasons for leaving. If staff are leaving due to feeling undervalued or dissatisfied in the workplace it is crucial for organizational health to discover this and take remedial action before a high level of churn begins to negatively impact on current staff morale.

In order to mitigate some of the adverse effects of turnover, in terms of organizational capability, a prudent organization would maintain a proactive approach to talent management through sound workforce planning processes. This has a two-fold benefit. It would enhance employee morale due to a belief in organizational commitment to employee aspirations. (see Maslow's Theory, below) and it would minimize the organization's exposure to reduced capability due to turnover.

If the leaver were an integral part of the workplace communication networks their absence may cause difficulty while the group dynamics are re-established. Turnover may stimulate further turnover if morale is low. It is particularly important not to employ a replacement without following due diligence. A poor employment choice could further reduce morale.

## **Productivity**

Productivity can be typically defined as output per hour.

Workers who are highly productive early on in job tenure tend to continue to be the high producers. Therefore it would pay dividends for an organization to invest more heavily in the employee who demonstrated high productive capacity. This approach would optimize the potential capacity of the organization while also minimizing the potential losses of over investment in those whose productive capacity may be limited. If the highly effective are leaving the organization the organizational effectiveness will decline.

When a staff member leaves, the organization will often see a decline in performance from the leaver but it may also have a flow on effect to other areas of the organization that may also experience a drop in performance due to factors such as needing to compensate for reduced organizational capability.

In their study of the relationship between a stable workforce and productivity (Auer, Berg, & Coulibaly, 2005) found that firms who invest in firm-specific on job training increased productivity of the employee. If some of the benefit of that increased productivity is passed onto the employee then he is less likely to leave as he is being rewarded for up-skilling.

## Decreased Organizational Capability

Turnover could cause an organization to hold off on proposed plans thus limiting the organizations continuing efficiencies and profitability. Turnover could also increase the cost of production if extremely high levels of turnover are experienced or could result in under-utilized productive capacity.

"...the most productive and profitable units in the business were also the best in HR processes".

- Corporate CEO

## Positive Attributes of Turnover

Turnover is not necessarily all bad. If an organization experiences low turnover it can have a detrimental effect on organizational vitality in terms of promotional opportunities and new entrant driven innovation. This concept is sometimes referred to as the turnover 'sweet spot'. This may vary depending on a range of factors such as skill level (therefore ability to train replacements within a required time frame) or availability of replacements.

Organizations must begin to quantify the worth of performance, this is particularly important if analyzing the cost of turnover to a business. Building an accurate picture of individual employee performance would allow an organization to quantify the benefit of either investing in improving poor performers or investing in replacements.

Turnover allows for continued evaluation of organizational effectiveness. Employee requirements can be regularly monitored through the use of exit interviews and re-appraisal of job descriptions. Turnover allows an organization to create a more dynamic workplace with a regular injection of new ideas and knowledge.

An individual enjoys a feeling of enhanced self-worth when successfully securing a new job, or being head hunted. This in turn increases their confidence in their ability to contribute. Innovation is more likely with a new member as he has no preconceived relationships. However if there is extremely high turnover this may reduce the opportunity for innovation as there needs to be an element of integration within the membership for innovation to be embraced.

## **What drives turnover?**

A number of factors drive turnover, however few operate in isolation. Salary increase, job stimulation, career development, more supportive organizational climate or escape from a stressful workplace environment are some factors worthy of consideration. Some will be more influential determining factors than others. If opportunity is high it may prevent the determinant factors from manifesting as they would normally, due to abundant alternative employment options allowing for a more flippant approach to employment decisions.

Non-work variables are increasingly a large factor in turnover. Family and lifestyle considerations are more prevalent in the decision making process. Organizations now, need to consider the whole person when job sizing and recruiting not just the employee.

While there may be positive benefits to turnover it is generally recognized there is a net negative result in terms of organizational effectiveness.

## **Job Satisfaction**

Job Satisfaction can be described as the discrepancy between what an individual values and what the situation provides (Locke, 1976), or another way – is a function of what you expect against what you have got.

If an individual feels that the benefits to himself outweigh his contribution he will more than likely feel satisfied with his employment and therefore less likely to leave. The lower the job satisfaction experienced, the greater the probability of turnover. However, not all staff leaving an organization leave for reasons of satisfaction. Turnover and satisfaction can operate independently of one another and must also be considered in conjunction with demographic considerations and behavioural intentions.

Employees are conditioned to expect job satisfaction while employers largely have no commitment to ensuring employee satisfaction. Employers cannot control all aspects contributing to job satisfaction however some may try to meet the requirements for job satisfaction to enable them to recruit, motivate and retain employees. Given the choice, organizations would prefer to divert that investment into the direct bottom line profit. It is unreasonable to expect an employer to take full responsibility to meet the needs of the employee for job satisfaction. Employees must take responsibility also for achieving job satisfaction. This includes recognizing when a job no longer meets the individuals basic intrinsic needs and actively seeking an alternative.

The following points have some bearing on levels of job satisfaction:

- Pay rates and the satisfaction with those rates
- Promotional opportunities
- Job Content
- Coworker satisfaction
- Quality of supervision.
- Working conditions,
- Career aspirations
- Organizational commitment
- Stress

Fredrick Herzberg (Herzberg, 1959) sought to determine what factors motivated people in their jobs to give their best efforts. He found that the factors leading to satisfaction (motivator factors) are separate and distinct from those causing dissatisfaction (hygiene factors). Before trying to motivate employees they need to be receptive to being motivated. For this reason the hygiene factors must be addressed first to ensure the employees are not dissatisfied. Having addressed the Hygiene factors, attention can then be turned to addressing the Motivating factors. Organizations will often address the Hygiene Factors alone, perhaps because these are easier to deal with, however job satisfaction only comes from understanding an individual's motivational drivers and providing opportunities within the job for these needs to be met.

A criticism of Herzberg's 'Two Factor Theory' is that it assumed a definite correlation between job satisfaction and productivity but this was not addressed within his methodology. The Two Factor Theory has however formed the basis for motivational practice since his study under the premise that those who were satisfied were more highly motivated to produce.

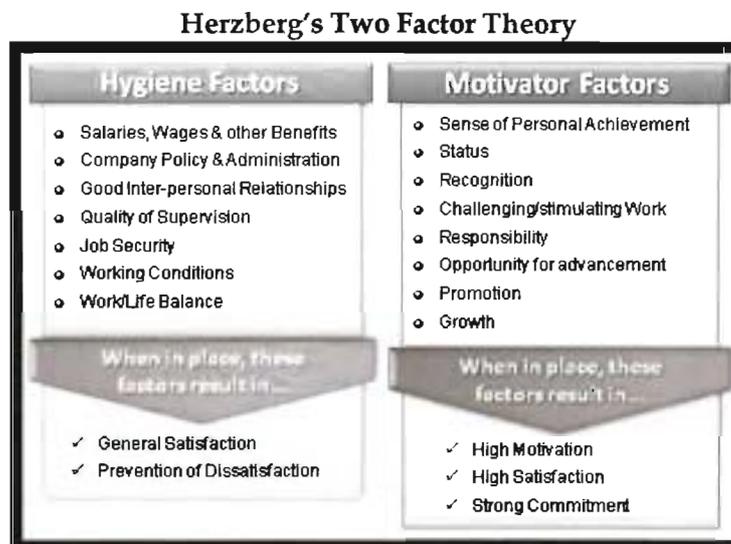


Table 3: Herzberg's Two Factor Theory

Abraham Maslow developed a theory called the 'Hierarchy of Needs'. This theory contends that as humans deal with the most basic needs they then seek to address successively higher sets of needs. It serves to remind a manager that an employee has a range of needs they need to have met in order to feel satisfied and that salary increases may not necessarily meet the current need. Again it supports the notion that it is necessary to evaluate individual employee's needs rather than adopt a blanket, one-size-fits-all approach.

**Maslow's Hierarchy of Needs**

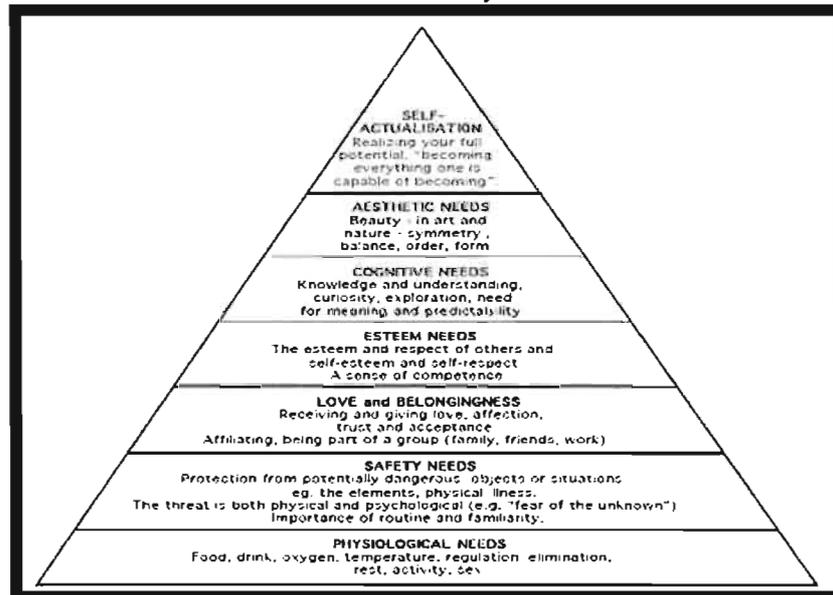


Table 4: Maslow's Hierarchy of Needs

The table below demonstrates the correlation between both Herzberg's and Maslow's theory's.

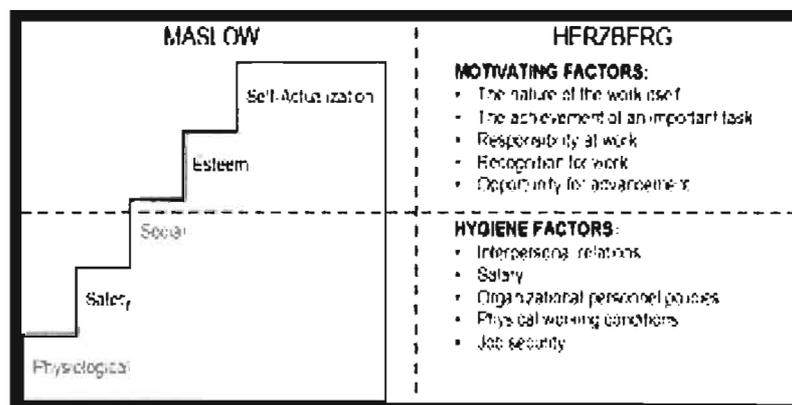


Table 5: Correlation between Maslow's & Herzberg's theories

Gallup Research (Gallup, annual) conducts annual employee engagement surveys worldwide. This survey is based on 12 questions developed to provide an indicator of potential employee performance. This enables managers to set strategies to increase levels of employee engagement. This will facilitate improving satisfaction levels and reducing turnover levels. These questions, known as the Q-12 Survey, seek to analyze the factors within an organization that are allowing or preventing full employee engagement. Engaged employees are those who are committed, loyal, passionate about their work and connected to their organization.

These questions address the core elements that best predict employee performance and link strongly to desirable key business outcomes.

Employees:

- know what is expected of them
- have the right materials and equipment to do their work correctly
- have the opportunity to do what they do best every day
- in the past seven days, have received recognition or praise for doing good work
- have a supervisor, or someone at work, who seems to care about them as a person
- have someone at work who encourages their development
- feel their opinions seem to count
- believe the mission of the company makes them feel like their work is important
- believe their co-workers are committed to doing quality work
- have a best friend at work – someone to unconditionally rely upon
- in the past six months, have talked with someone about their progress
- have opportunities to learn and grow

The Gallup Organization found that in those organizations where employees were actively engaged (with a high Q-12 score) retention was increased by 44% and productivity was up by 50%. Companies in the top quartile reported 18% higher level of productivity and 16% higher profits in the 2009 poll.

It is important to understand the motivating factors for job satisfaction at an individual level. One employee may value regular time off, regular hours of work and repetitive tasks very highly while another may want the opportunity for a high degree of autonomy, decision making or recognition for career advancement. Management practices now need to allow for the individual motivations of employees. (Wild & Dawson, 1972) maintain it is reasonable to expect that a worker's motivations may alter over the course of time therefore a regular assessment is necessary. Attempts to treat all employees the same will likely have a negative effect.

Bitsch & Hogberg (Bitsch & Hogberg, (Dec 2005)) found that their results emulated those earlier determined by Bitsch (2004) - job satisfaction was most often challenged by compensation levels and the physical characteristics of the work. However, other significant factors such as further training, involvement in decision making and feedback all played a significant part in job satisfaction, and if left unaddressed often led to employees exiting the industry.

## State of the Economy

The ability for an employee to seek new employment opportunities is moderated by the state of the economy. Price (Price, 1977) believes that turnover as a result of dissatisfaction only occurs when opportunity is relatively high. Positive economic times create increasing labour requirements and therefore opportunity of alternative employment is greater than during a recession.

Dissatisfied workers can only contribute to turnover statistics when opportunity is high. In times of low opportunity employees tend not to leave an organization which can have a detrimental effect on the organization's effectiveness. When dissatisfied or disengaged staff feel unable to leave a job, for lack of opportunities, they may feel trapped causing them to exhibit counter-productive behaviours. This phenomenon can lead to greater organizational instability through reduced engagement levels, which in turn lowers productivity levels. It becomes particularly noticeable during periods of economic recession. Some companies have overcome this situation by inviting their employees to become actively involved in finding solutions to improve the situation, as espoused by WorldBlu (Fairfax, 2011) practices.

The state of the economy may play a greater role in the variance in turnover due to its umbrella effect over all other contributing factors.

## Compensation Opportunities

Price (Price, 1977) notes that salary levels, in comparison to work hours, has an impact on job satisfaction. However, salaries, as a significant driver of staff turnover, are more likely to occur during times of economic difficulty.

At lower pay levels it is likely that increasing pay will have a positive effect on turnover. But as the level of compensation increases it is unlikely that salary rates will have such a strong bearing on satisfaction.

It needs to be more clearly outlined what is a fair and reasonable rate of remuneration for a specific role and its ensuing responsibilities. If an employee has reached the upper end of ability required for the role in which he was employed, then it is fair to assume the role has also reached the upper end in terms of remuneration. It may be necessary for the employee to search for a role more befitting his current and immediately attainable competency levels. Organizations must constantly review current best practice in terms of compensation rates within their industry.

Performance Bonuses do not necessarily equate to greater effort or buy in to the organizational goals. It may in fact offend some people or cause them to feel stressed in their efforts to achieve them. Greater benefits may be achieved by trying to foster a sense of ownership through open and democratic communication.

Farmer A has adopted a random approach to extra compensation opportunities. He may offer the opportunity to graze stock on the farm or he may offer a trip to a valued employee

## Leadership Capability and communication of Organizational Vision

A successful business requires sound leadership capability to succeed and grow. Organizational success is more dependent on being able to build human capability than on being able to build equity. An organization must have the human capability in order to achieve a profitable outcome.

Bitsch & Hogberg (Bitsch & Hogberg, (Dec 2005)) discussed the propensity for supervisory staff to be promoted from within the ranks, which is very common in agriculture. While this person may be very able in terms of technical ability they are not necessarily able in managing staff. Often the employee feels unable to turn down the promotion as it will normally come with a rise in pay but the role requires training in staff management and all too often this is not forthcoming.

Managers may feel threatened by the capability of employees they are responsible for. This often leads to poor recruitment decisions by managers whose insecurities may drive employment decisions. They typically employ staff who don't threaten their comfort levels but may not enhance the organization's potential for growth through lack of innovation.

A Study reported in the NZATD (New Zealand Association of Training & Development) Journal (Half, 2011, April/May) which surveyed 521 finance and accounting professionals found that 31% of employees describe the management skills of the person they report to as average or below and 34% of employees would leave if another company had a better management structure. It also highlighted a perception gap between how managers rated their skills and how employees rated the management skills. 53% of managers believed they consistently lead by example and 31% of employees agreed. 51% of managers say they consistently showed interest in their staff's problems and only 27% of employees agreed.

One of the most important functions of a competent leader is to keep employees informed.

It is the responsibility of the manager to adapt his or her management style to the employee's needs in terms of communication style.

*"One of our director's says 'We think we are in the business of milking cows - we aren't, we are in the business of managing people' "*  
- Corporate CEO

Instrumental communication (Price, 1977) communicates the information directly related to role performance. This type of communication is typically delivered as formal communication. Instrumental communication can include the job description and contract. Formal planned meetings are often the most effective way to communicate this type of information.

In order to be effective in productivity an employee needs to know how their role contributes to the vision and values of an organization. If effectively communicated this also allows for organizational accountability by all within the team due to a full understanding of role contribution.

Leaders/Managers need to recognize their employees for doing well. Training those in supervisory roles in the art of useful praise giving and positive reinforcement is beneficial from both a motivational perspective and a turnover perspective. This could contribute to the employees' positive attachment to the organization.

Offering the employee extra responsibility would enable a further positive attachment to the workplace. This approach would also create a more diverse workforce support base and therefore the risk of turnover is spread and minimized. The supervisor who creates opportunities for goal attainment or task accomplishment, and also recognizes and/or rewards achievement will enjoy greater support from high performing employees. These opportunities will, in turn, create clear expectations and outcomes for poor performers.

Employees need to feel ownership of their work. This can be achieved by allowing input from the employee into organizational decision making. If the opportunity to contribute is removed it is likely that a member may withdraw from actively contributing, which may lead to turnover due to a lack of commitment to the organization. The strongest effects of unmet expectations are found in job satisfaction and in organizational commitment.

While the corporate structure may remove some of the decision making ability from the workplace (and that is often an undesirable outcome), it can be mitigated by clear communication processes and the ability for members to contribute to decision making. When all sectors of an organization feel they have some ability to control or contribute to their work domain they feel more engaged. An individual employee needs to identify with the organizations goals and values in order to feel a sense of commitment. It is this strength of commitment that will determine the level of effort an employee is prepared to exert for the betterment of the organization.

Investors in People NZ Ltd (IIP) helps businesses improve performance by maximizing the potential of those involved in the business. During the IIP assessment process there are two areas that regularly surface – the development of management and supervisory capability and creating an environment where staff learning and development is well planned, integrated into the farm business and encouraged.

A useful way to evaluate leadership effectiveness is through measuring the efficacy of current recruitment practices in terms of annual recruitment and training costs.

## Team and Culture

Team Culture is a product of the interaction between the group members. Culture can be adversely affected in an environment where economic drivers are the overriding concern. Often when an organization is struggling financially the team culture is one of the first things to suffer.

A sharemilker may under resource staffing in the first season in order to improve the budgeted bottom line. Quite often this has a negative impact on staff turnover as the staff employed are over stretched and burn out. It has been suggested that in some cases this understaffing has been overcome by a quality ZIC.

- Corporate CEO

Team culture may suffer from social resizing due to integral group members leaving. This may in turn create gaps in the chain of seniority or in skills. If turnover is reasonable high, average length of tenure reduces and it becomes harder to maintain a team culture due to constant skill and capability loss and sense of social loss.

Innovative business practices, such as those advocated by organizations such as WorldBlu, (Fairfax, 2011) are creating some exciting results for those companies adopting the democratic approach to workplace management. This approach is paying huge dividends for those businesses that have recognized a need for a different way to interact with staff. The resilience demonstrated by these companies during the recent recession has validated the decision to give greater control to the workforce. A number of these organizations have experienced a stable labour force through solid employee engagement, and as a result also boosted their bottom line profit.

Organizational policies can assist in building a positive culture. An example of this is the implementation of a Drug and Alcohol Free Workplace policy. A requirement to undergo drug and alcohol testing at induction and the possibility of random testing reduces the likelihood of abusers seeking employment in the first place.

## Recruitment & Induction Processes

In traditional recruitment practice, the selling of the organization to the potential employee market emphasizes the positive aspects of the job. It may gloss over and/or not mention the negative or less satisfying aspects of the role. Applicants tend to have an over inflated view of the opportunities presented in a new job, couple that with an employer who oversells his opportunity and the potential for mismatch is inflated.

The organization wants to be sure it has a high number of candidates to choose from. This comes from a mistaken belief that more candidates will increase the likelihood of finding the ideal recruit. However this process may have attracted candidates who are not best matched to the role.

Over promising and under-delivering are prevalent recruitment practices particularly in tight economic times and/or in a tight labour market. Realistic Recruitment Practice offers candidates with a realistic view of the organization and its opportunities, free of any bias. In adopting a Realistic Job Preview (Wanous, 1992) applicants expectations are lowered to more closely match the reality of the organization.

If the realistic job preview approach is taken there will be a smaller pool to choose from, a smaller proportion still will accept the job offer but those that do will stay longer. The prospective employee will adjust his or her expectations to meet that which is being offered. Therefore, if a consistent and thorough approach is taken to this area of communication it may reasonably be expected to lead to lower turnover. This approach, longer term, will assist in the organization building a positive brand as an employer of choice. An organization creates a situation where they become a

Farmer A does not advertise for new employees. He enjoys a steady stream of employment enquiries. He is held in high regard as being consistent in developing staff to a high level of competency. an

Research results from fifteen experiments that used Realistic Job Previews (McEvoy & Cascio, Vol 70(2), May 1985,) have demonstrated a 9% increase in retention rates.

Several studies have suggested that the source of new employee referral is relevant.

Newcomers experience a greater degree of stress directly after organizational entry than before entry as a job candidate. This may be exacerbated in the agricultural sector as a new job often also means multiple other changes such as a new location – possibly moving away from friends. The new 90 day trial period (amendment to the Employment Relations Act 2000 – April 1st, 2011) possibly adds a little more stress to the situation. There is some concern that it may allow employers to make some bad employment decisions with little fear of major ramifications. It is imperative that having developed a clear job specification that it be adhered to during the recruitment process.

(Wanous, 1992) suggests there is strong evidence to show that those new recruits either referred by a current employee, or re-hired into the organization following an absence, will experience greater job satisfaction than those recruited from newspapers or recruitment firms. This is very relevant for the agriculture sector that still operates largely on the word of mouth system. Although with a higher prevalence of corporate employers this option is not available to all.

Most job matching is done based on the individual's capabilities and the organizations requirements instead of the individuals job wants and the organizational climate. Often organizations 'settle' for a new recruit in the mistaken belief that 'someone' is better than 'no-one'.

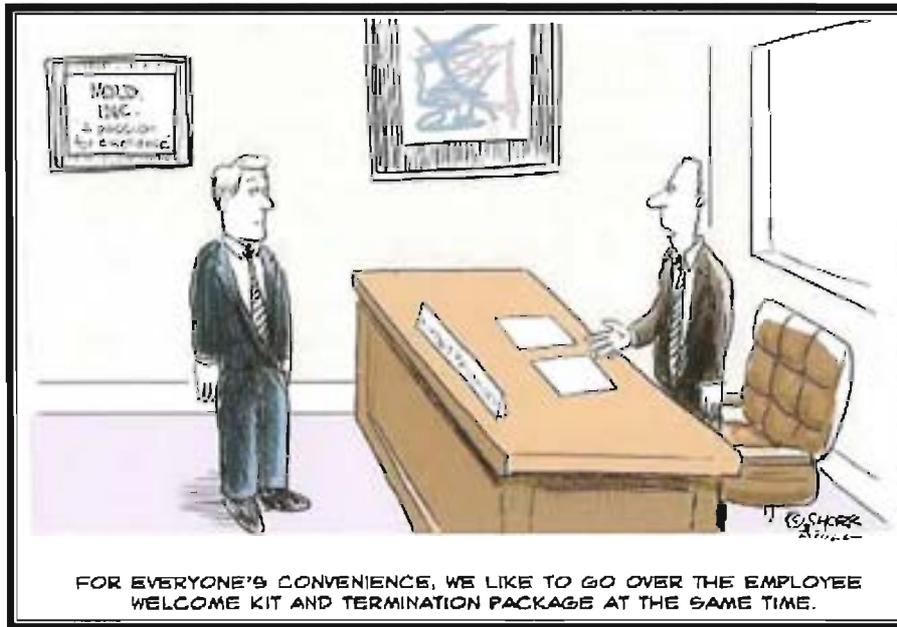
The period of induction will depend on the level of technical skill or responsibility required in the position. This period typically covers the time from the initial offer of employment to the point the employee has reached full competency. It is important to recognize that a new employee needs to demonstrate, through productivity, that the decision to hire them was a good one. Therefore the orientation period needs to ensure this opportunity is present early on and also that the new recruit can see how their work will contribute to the goals of the organization.

The time immediately following entry to the organization is the most influential for forming behaviours and attitudes to the organization. Common complaints are that new employees are bored, overwhelmed or left to sink or swim. In any one of these scenarios the result is an employee who takes longer than is necessary to become fully productive or one that leaves the organization.

Farmer B frequently has inexperienced teams due to high turnover. This adds to the pressure on new recruits to perform immediately, but with inadequate support.

Good orientation programmes have been shown to increase retention rates by 25%.

Frequently employers fail to provide feedback on employee performance which contributes to a lack of clarity around expectations. An employee is also responsible for ensuring he is best matched to a role but requires good information from the organization in order to make an informed decision. The determining factors of job satisfaction are driven by clarity of role and the ability of the job to meet the individual's needs.



## Job Sizing

According to a theory developed by (Hackman, Oldham, Janson, & Purdy, 17) an employee must experience three critical psychological states to achieve positive personal and work outcomes. These requirements are to believe in the worth of the work undertaken, to feel responsibility for the outcomes and to have an awareness of the results of work outcomes. These are delivered by ensuring the job has skill variety, ownership of tasks, and a belief in the worth of the job, autonomy and feedback.

**The job characteristics model of work motivation**

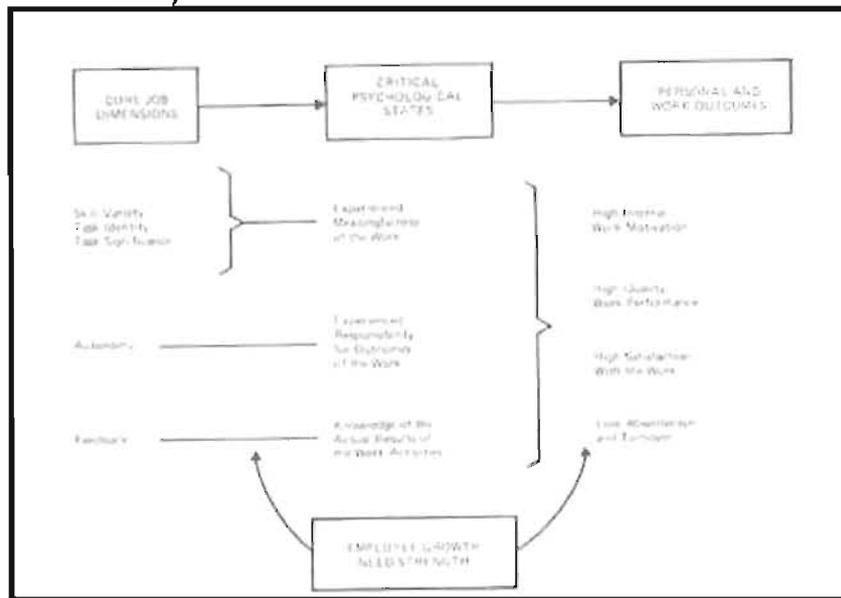


Table 6: The job characteristics model of work motivation (Hackman, Oldham, Janson, & Purdy, 17)

Freedom to be able to direct their own work flow to predetermined outcomes is a highly desirable aspect when job sizing.

Feedback on job performance is really important, both positive and negative. The opportunities for an employee to succeed in their job must be available to ensure confidence and willingness to produce will continue to be desirable outcomes for the employee.

Joint employee and organizational assessment of career planning and progress is mutually beneficial even given it will inevitably lead to turnover in some cases. This process assists in the development of both the business and the individual. It must also be recognized that some employees will find a role that is best fit and not look for any further opportunities. If that best fit also applies to the organization there is no problem but if there is a mismatch then the assessment practice may allow for an open analysis between the two.

Flexibility in work hours is becoming increasingly important e.g. mothers in the workforce and Generation Y expectations.

As employees requirements change over time, so too do the organizations they work in continue to develop and morph. It is necessary to continue to assess current capabilities against organizational requirements and up-skill current employees as necessary.

Below is a tool to assist in ensuring best fit between employee and organizational requirements (Understanding Developmental Needs: Help your team reach peak performance). It is not essential to follow the specific order but it is a good reminder of the factors to be considered when assessing capabilities and requirements.

DIFSWOT is a mnemonic which stands for:

- **Difficult or Demanding:** What are the most challenging parts of the work that individual team members do? Are these things intrinsically difficult? Are processes and technology unnecessarily cumbersome? Or do team members need to develop their skills?
- **Interesting/Important:** What part of the job do people particularly like and find enjoyable? Is this because the work's easy, or because they have particular talents in these areas? And do team members feel they have the necessary skills and resources to do the job well?
- **Frequent/Time-Consuming:** What do they spend most of their time doing? Are they holding back from other tasks for lack of confidence or ability? Or can they work more effectively doing things with a little help or investment?
- **Strengths:** What do they feel they do well? How do they feel that these strengths contribute to the team's result?
- **Weaknesses:** Where do they feel they need to develop? What are they doing to address this, or what can be done to address this?
- **Opportunities:** How do they want to develop in the future? How do they see this aligning with the team's mission?
- **Threats:** What parts of the job do they dislike? Why do they dislike these things?

## Tenure and Stability

Tenure can be defined as the amount of time an employee spends working for the same employer no matter if the job has changed. It measures the stability of the employment relationship. The stability of employment tenure can be affected by many factors but most noticeably a 'trend' can often be influenced by market conditions.

A study by Auer, Berg & Coulibaly (2005) found that while it is difficult to determine the optimum length of employment tenure it seems there is evidence to suggest that tenure duration of between one and ten years, most particularly five to ten years, is most likely to offer the greatest potential for productivity growth. This period is sometimes referred to as the turnover 'sweet spot'. Outside of that range, tenure could have a negative productivity effect.

In their study of the relationship between a stable workforce and productivity (Auer, Berg, & Coulibaly, 2005) found that firms who invest in training their workforce in firm-specific on job training increase the likelihood of longer tenure by the employee.

With higher lengths of service the knowledge developed becomes more organizationally specific. Therefore the availability of jobs outside the organization could decrease as the length of tenure increases. However, the improved skill levels will also result in increased compensation and levels of autonomy. These factors will ultimately lead to greater satisfaction.

The relationships between the factors above allow for some generalizations to be made that are consistent, e.g. low length of tenure more than likely corresponds with low pay, low engagement/integration, low contextual ability, and little ability to influence in the workplace – therefore high rates of turnover.

Turnover appears to be highest among younger employees. This is often demonstrated in the early years, with job history showing consistently low tenure/high turnover. This phenomenon may be due to the ease of changing jobs due to no commitments or dependents. Or, it may be due to not yet having appropriate expectations of working. It has been suggested that Generation Y's will have an average of 14 careers in their lifetime. Interestingly it has been proposed that this may enhance productivity as Generation Y members will offer a greater depth of experience to each position.

Various studies all demonstrate a positive correlation between increased tenure and increased productivity. A study conducted by (Blakemore & Hoffman, 1989) in the US manufacturing sector found that for every 1% increase in the median year of job tenure, a 0.39% increase in productivity occurred. This result was replicated in a European study over 13 countries and 6 economic sectors albeit with a slightly lesser increase of productivity of 0.16%

# Survey Methodology

## Method

Two employee surveys were undertaken.

**Survey One** collected a broad range of data. The purpose of this was to further define the objectives of this research project. This survey was posted to 78 respondents from the AgITO trainee database (Central & West Otago). These trainees were at various levels of responsibility and experience and ranged in age from 18 - 42. This survey achieved a 33% response rate. *See Appendix 1*

**Survey Two** asked 2 questions only –

**What are the most important qualities of the ideal employer?**

**What are the factors most likely to prevent the achievement of job satisfaction?**

This approach was taken in a group setting with 4 different groups, again from within the AgITO database (Central & West Otago) and split for learning stages, and therefore roughly in age bands. All 4 groups were largely Sheep and Beef employees, however Group 4 had a 1/3 representation from the Dairy Sector.

The representative group may be said to have a particular bias, as in those that are demonstrating ambition in their career by training. However, this group can provide greatest insight into the factors most deserving of attention to improve the perception of agricultural careers, as it is they who are thoroughly engaged in their careers and have ambition.

**Group One** were learners in the Level 3 class – typically those with 2-3 years farming experience. Members - 10

**Group Two** were learners in the Level 4 class – typically 3-6 years farming experience. Members - 11

**Group Three** were learners in the Production Management Class – typically in first stage management roles, e.g. stock manager, head shepherd, 2IC roles. Members - 9

**Group Four** were learners in the Diploma Level Class and typically either first stage management positions or greater. Members - 9

Once the possible contributing factors were identified the respondents were asked to rank them in order of strongest influence to least influential

In order to represent the views of employers, two farm employers were interviewed. Both owner operators, they represented both ends of the staff turnover spectrum. In addition the views a CEO of a large corporate dairy entity were sought to gain a broad range of perspectives. Their views are represented anecdotally throughout the report.

- Farmer A – enjoys very low turnover
- Farmer B – experiences high turnover
- Dairy CEO – corporate insight

## What is the current level of turnover?

Agriculture has experienced relatively stable turnover rates in the period highlighted below however, at around 28%, it represents the industry with the highest turnover rates in New Zealand. Compared to the industry average of 16% it could be cause for concern. The discrepancy may be due to agriculture's high reliance on seasonal and casual labour, however, it would be unwise to accept that was the only cause of the excessively high turnover rates. It is encouraging to note the trend line demonstrating an overall improvement in the rate of staff turnover during the period 2000-2010.

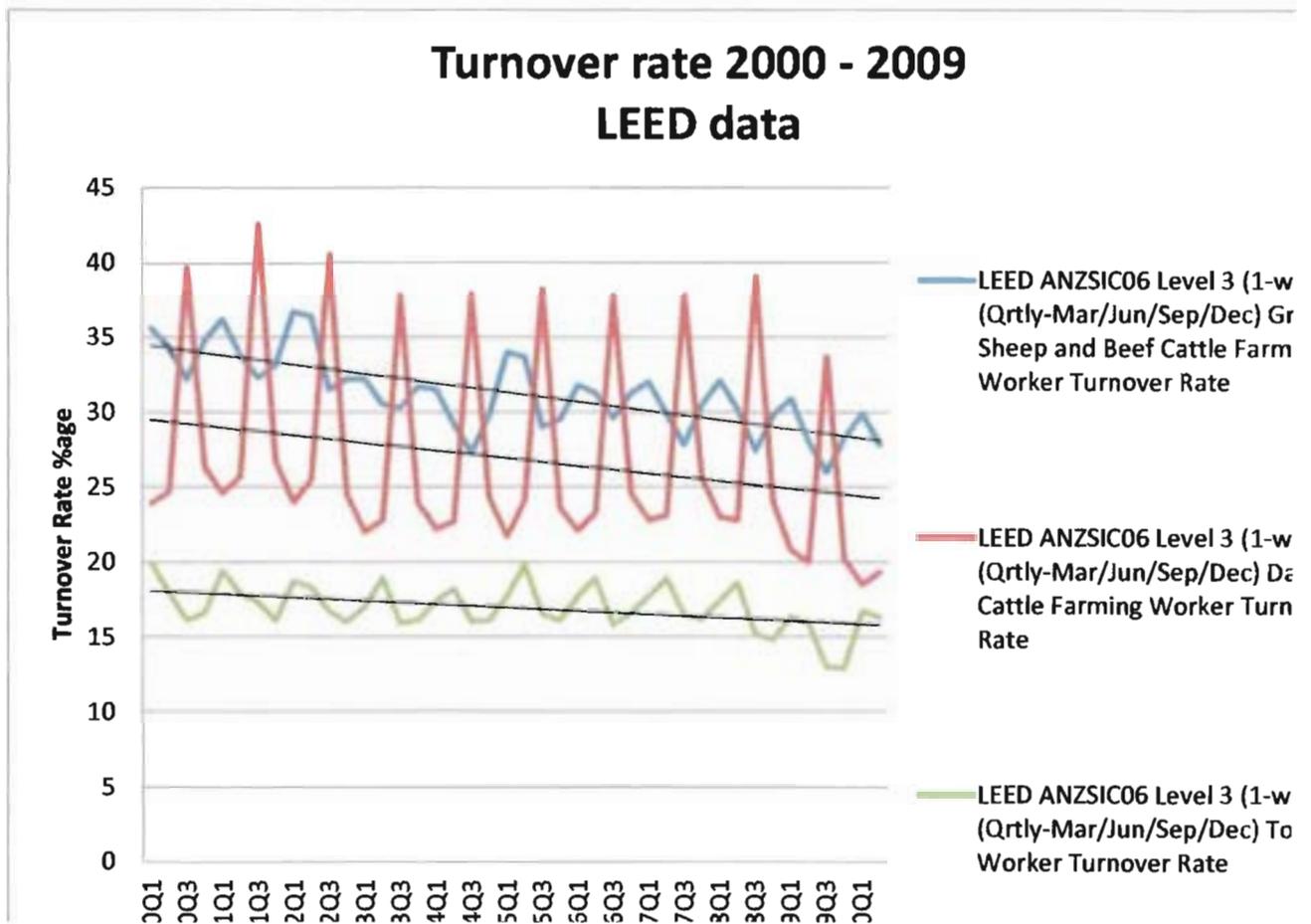


Table 7: Turnover Rate 2000 - 2009 (LEED)

### Turnover levels in Agriculture 2008/2010

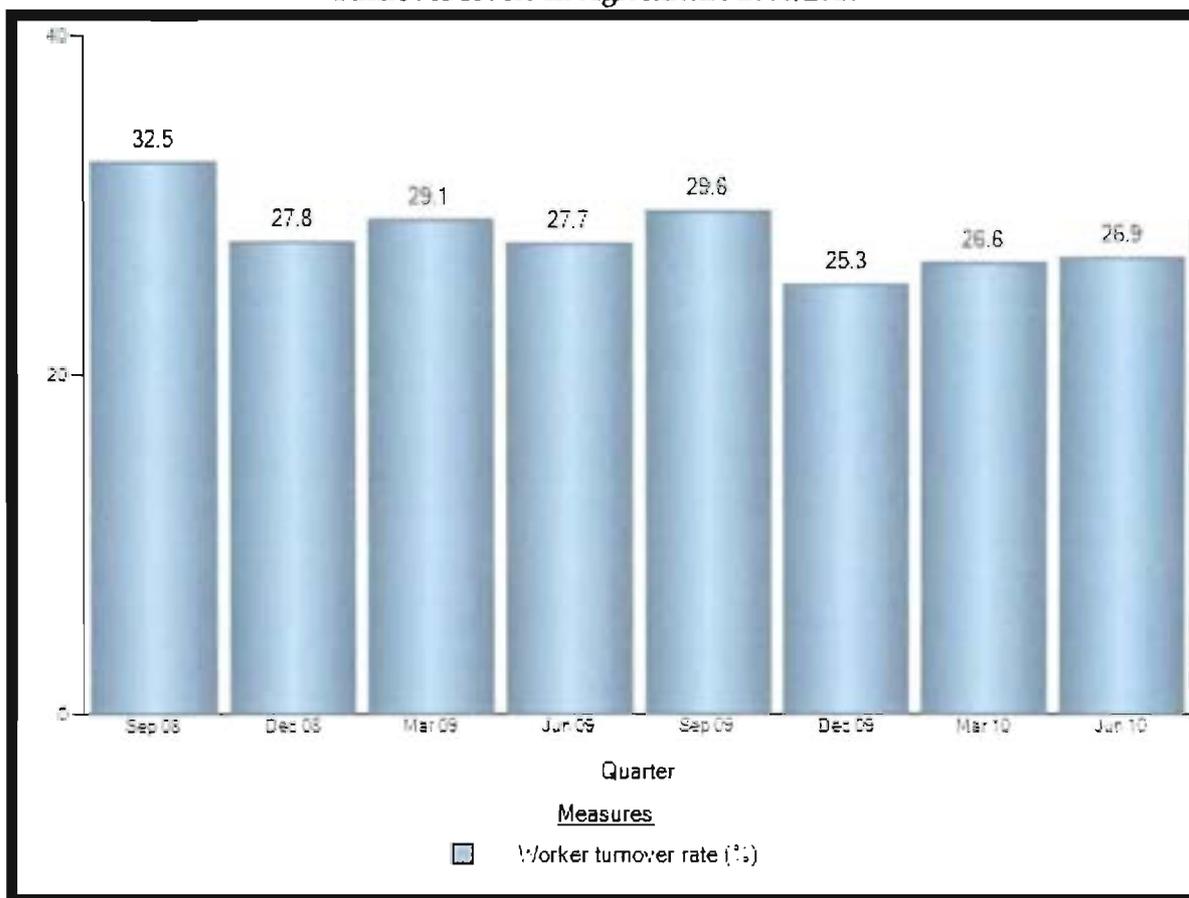


Table 8: Quarterly Turnover Rate in Agriculture 2008/2010  
LEED Measures by industry (based on ANZSIC06) – Statistics New Zealand

The overall turnover rate for Agriculture in the period shown above is 28.19%. LEED quarterly measures are taken during the middle month of the quarter. The September spike will more than likely be due to dairy staff movement.

The graphs below clearly demonstrate the seasonal staff fluctuations for each of the Grain, Sheep & Beef and the Dairy sectors.

### Grain, Sheep and Beef Accessions & Separations

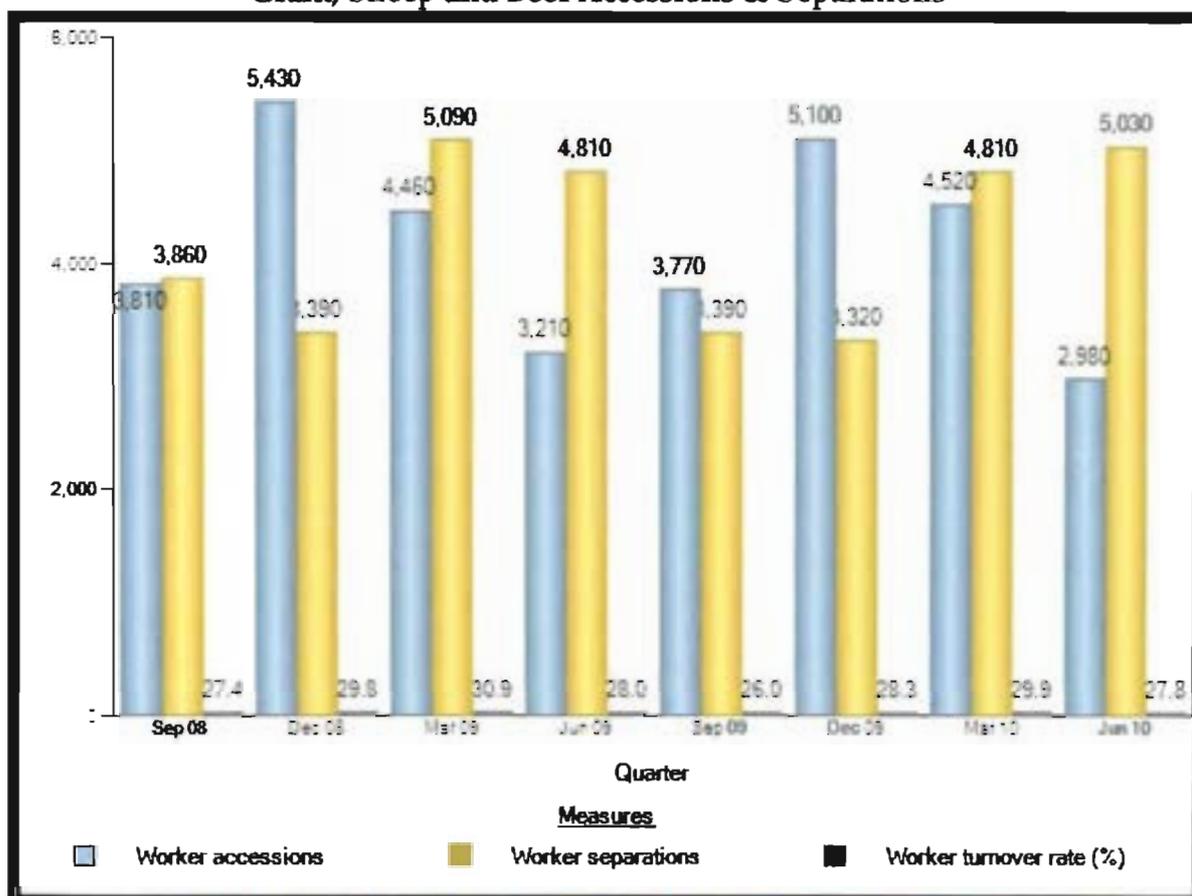


Table 9: Accessions & Separations in Grain, Sheep and Beef Cattle Farming 2009/2010  
LEED Measures by Industry (based on ANZSIC06) – Statistics New Zealand

It is likely that the large swings in accessions and separations demonstrated in the graph above is due to the sowing and harvesting season and also the period of greatest workload in the meat producing sector.

### Dairy Accessions and Separations

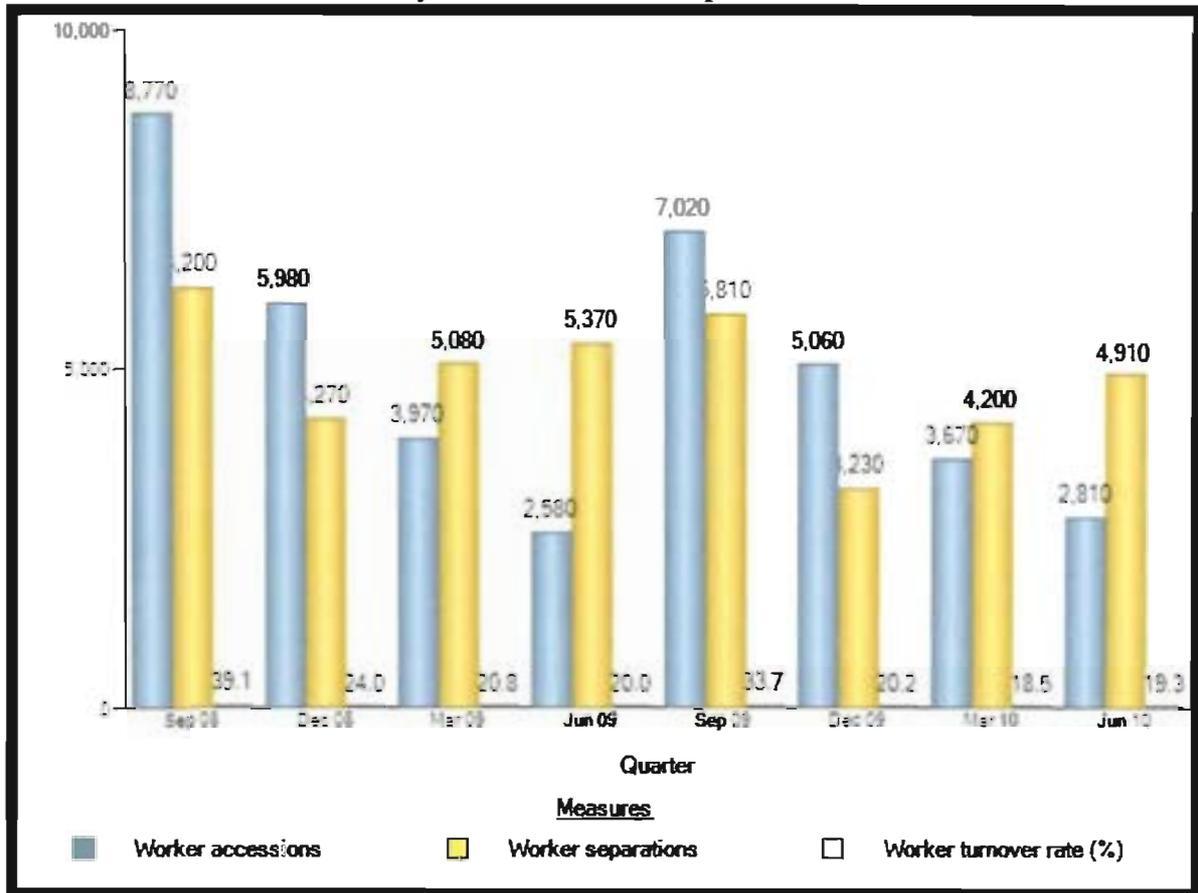


Table 10: Turnover Rate in Dairy Cattle Farming 2009/2010  
LEED Measures by Industry (based on ANZSIC06) – Statistics New Zealand

The movement demonstrated in the graph above highlights the normal movement around the June change of season. It is interesting to note the high number of new employments in the December quarter. It could be suggested this may be due to the unmet employment expectations often prevalent over the calving period.

Having already established that high turnover is a common function of both low skilled and young employees. The following two graphs demonstrate that around 25% of the agricultural workforce is aged below 34 years and almost 90% are categorised as unskilled. It reinforces the correlation between skill level, age and job tenure.

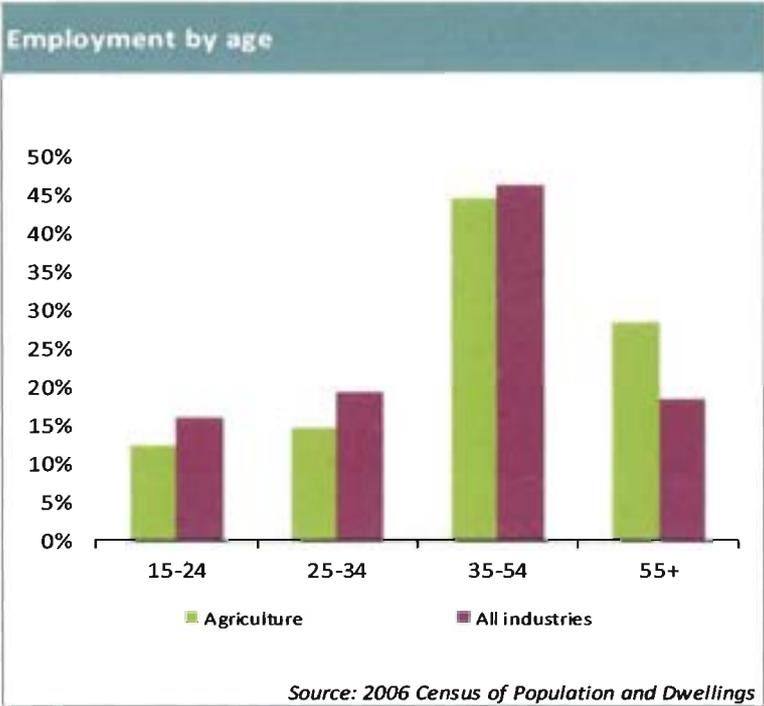


Table 11: Employment by Age

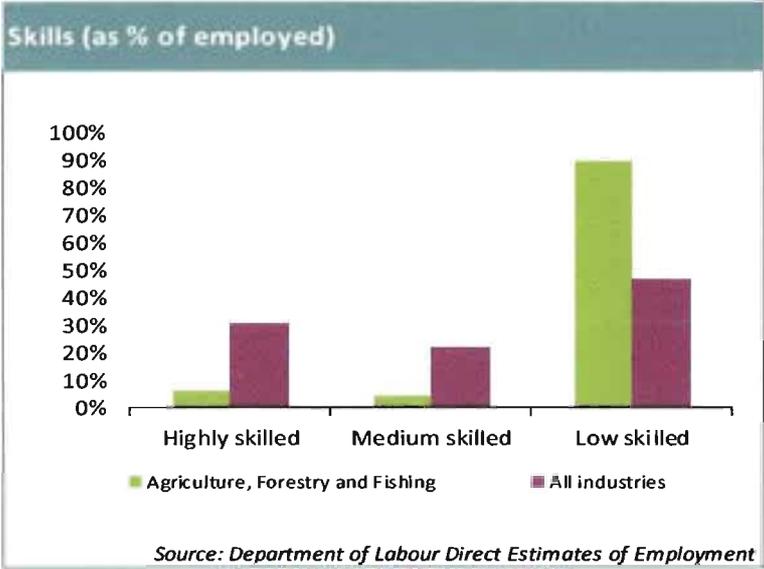


Table 12: Skills (as %age of employed)

The interesting thing to note in this table is that the proportion of low skilled workers in agriculture is almost twice that of other industries. While this graph leads statisticians to declare agriculture attracts a greater number of low skilled employee's it must be remembered that a large number of this population will probably enjoy a more hands on approach to learning and that the approach to skill attainment is a more informal approach.

The correlation between the tables above and the table below would suggest that the determination of 'skill' in the table above is the level of formal qualification achieved, and that anything less than degree level is deemed unskilled.

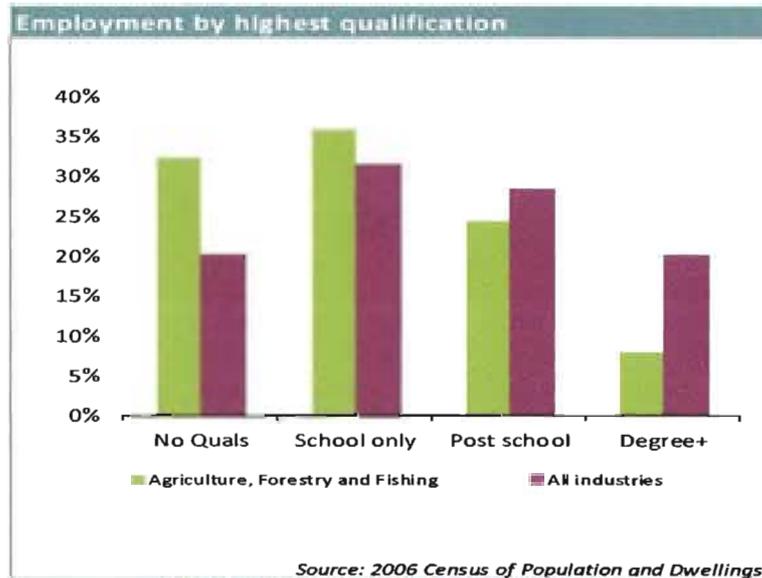


Table 13: Employment by highest qualification

Agriculture has both high numbers and high proportions of long hour's workers (Statistics New Zealand). Agriculture was found to have the highest proportion of long hour's workers at 44.63% of workers reporting working 50 or more hours a week. Agriculture had disproportionate numbers of long hours workers - workers in agriculture make up 11.02% of those working long hours across all industries, but only 5.6% of all workers.

In Survey One, 60% of respondents worked more than 50 hours per week.

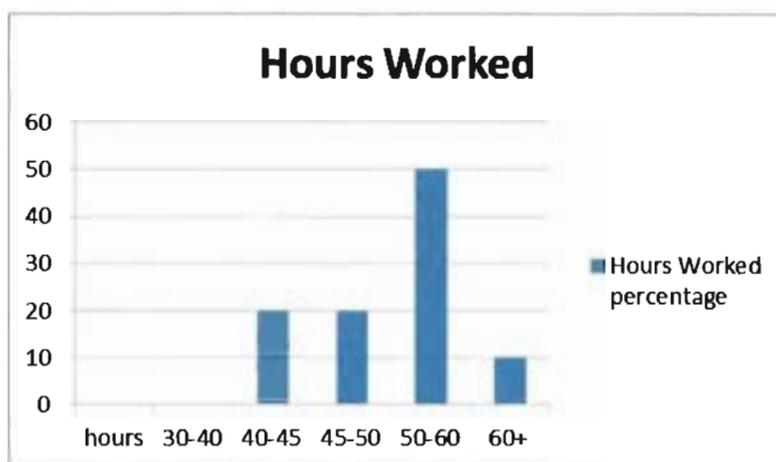


Table 14: Survey One - Hours worked

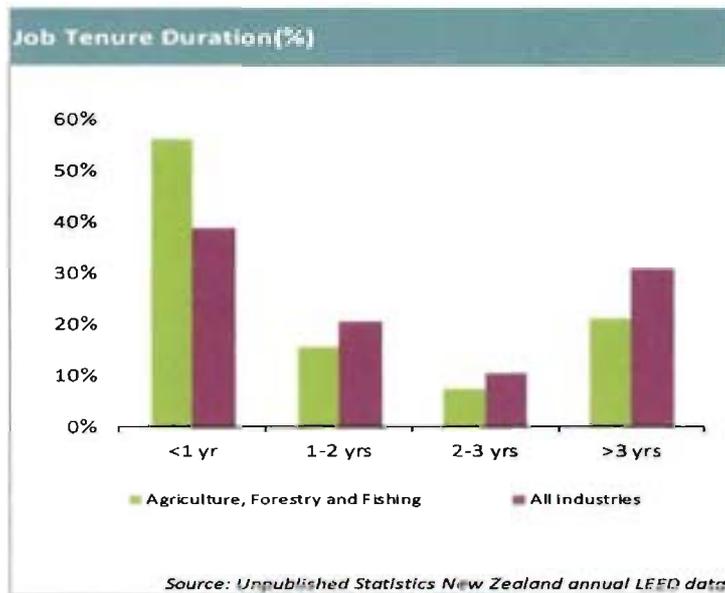


Table 15: Job tenure duration

The high representation in the short tenure group within agriculture is most likely driven by the high reliance on casual labour. However, it will also relate to permanent position turnover which may be driven by unmet expectations due to poor recruitment practices.

From Survey One, the table below demonstrates the average tenure in months. It confirms the theory that younger workers are more inclined to low tenure than older workers.

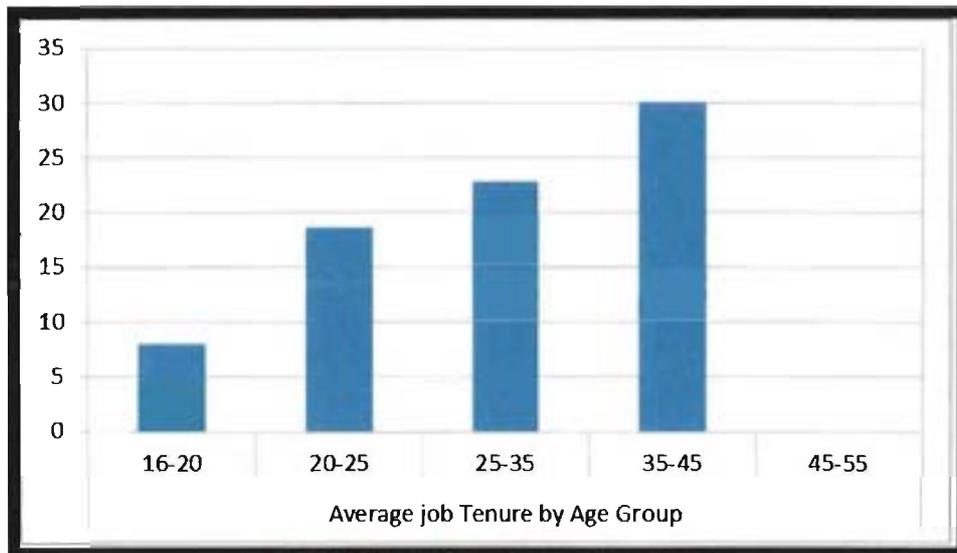


Table 16: Survey One - Average tenure by age

The industry has common expectations around probable tenure. Those in the first few years of their agricultural career usually do 1-2 years in each job. As the positions become more senior, perhaps with staff responsibilities, tenure will range from 2-5 years. The industry relies heavily on on-job training. This necessitates the movement around various workplaces to gain experience. It is also symptomatic of the fact the industry is predominantly made up of small workplaces which are unable to provide career progression or abundant skill development opportunities.

“Most young fella’s need a couple of years here before moving on. It just means they are ready for most things when they leave”

- Farmer A

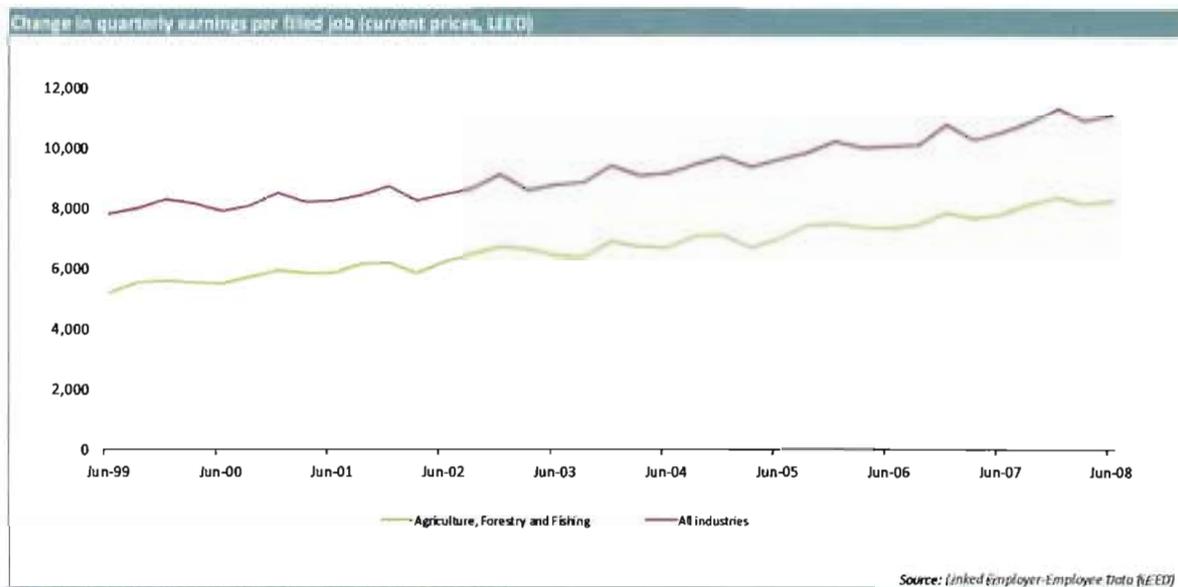


Table 17: Change in quarterly earnings per filled job

Agriculture has had significantly lower average quarterly earnings rate as compared to all other industries. This certainly does not help agriculture present as a worthwhile career pathway. It is difficult for an industry that has faced some significant challenges in terms of profitability to offer significantly higher salaries. However if the sector does not address the inconsistency in compensation levels it will continue to struggle to attract suitable labour.

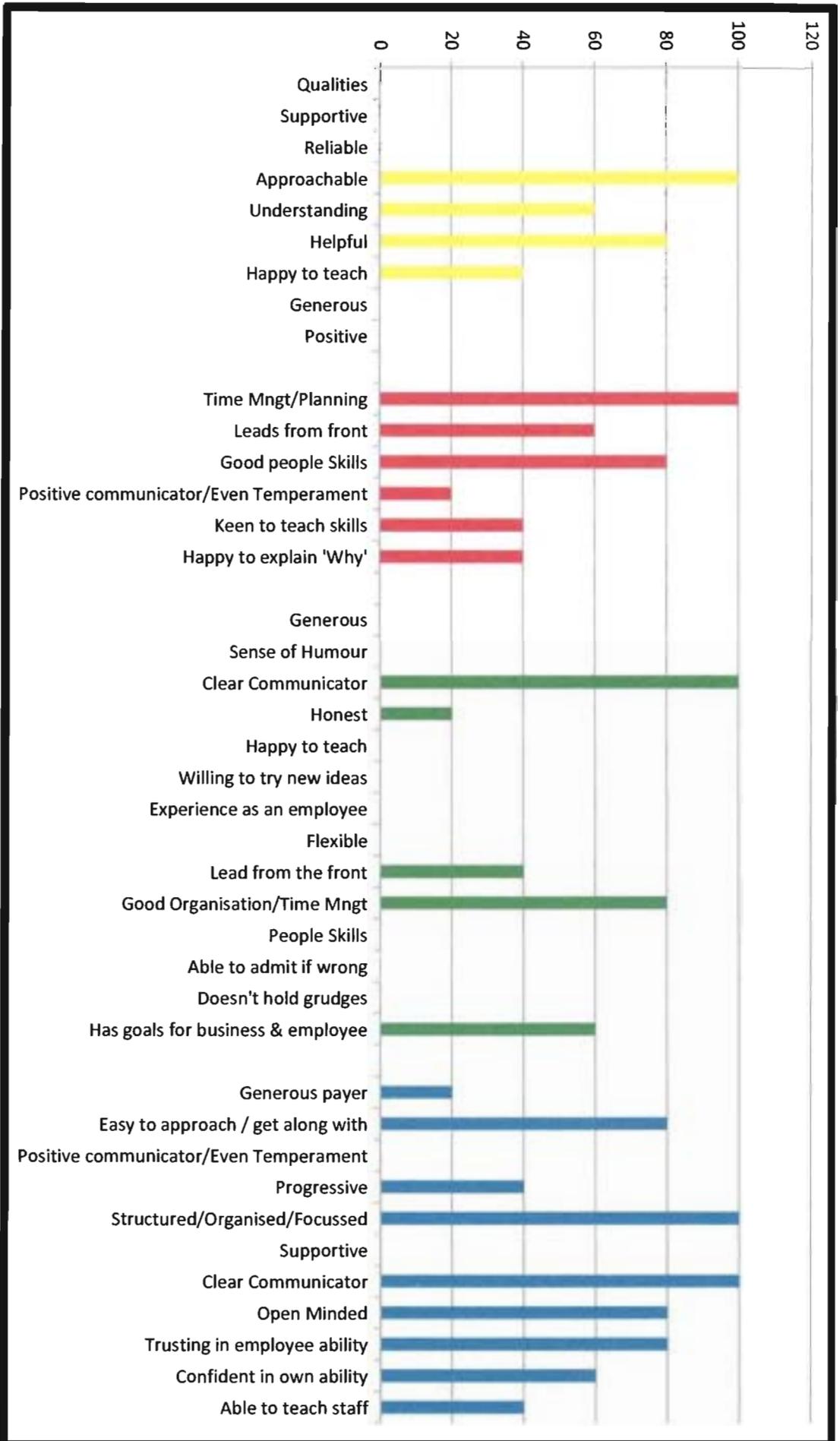
Survey Two – Question One What are the most important qualities of the ideal employer?

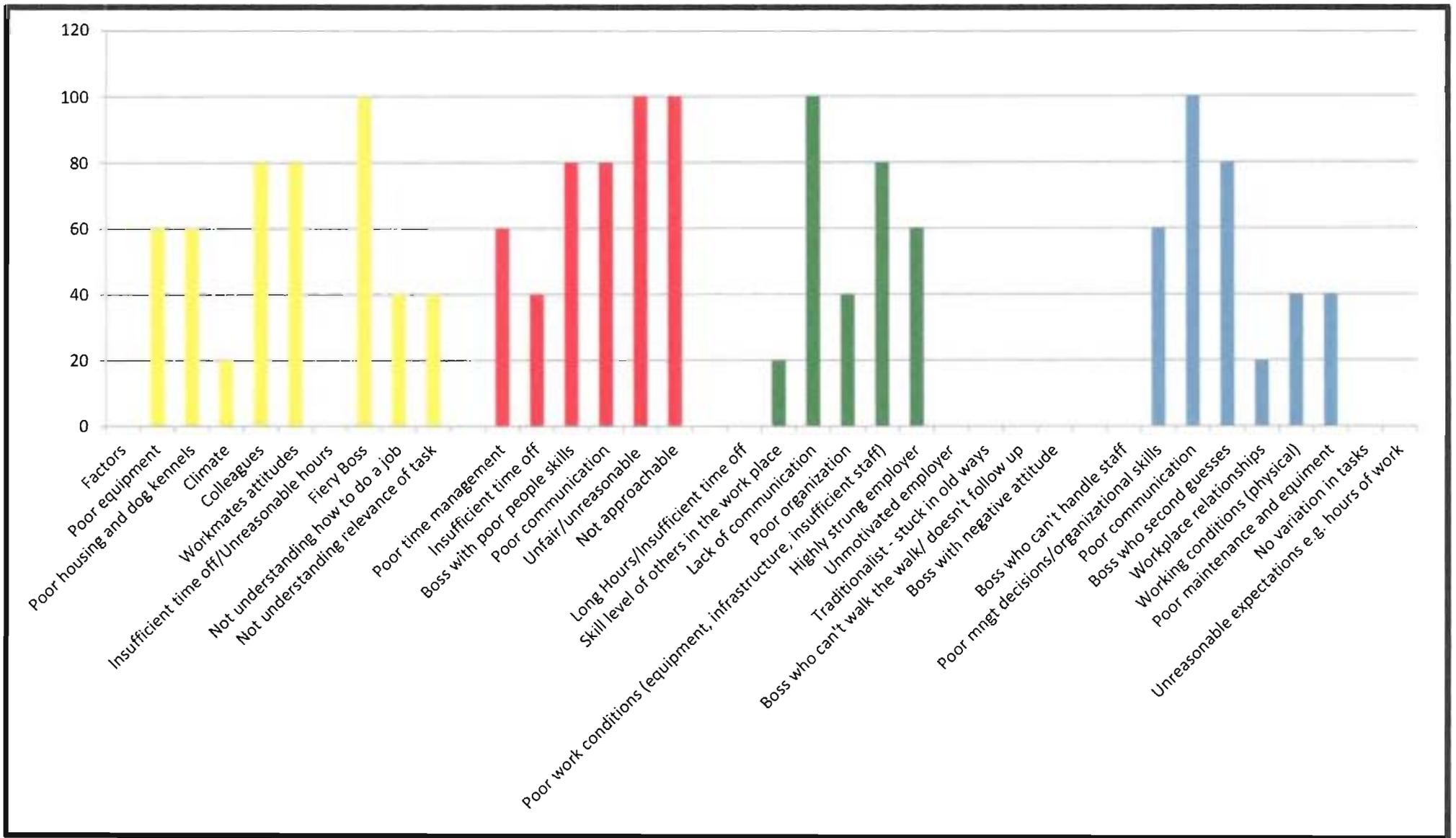
Group One

Group Two

Group Three

Group Four





Survey Two – Question 2 What are the factors most likely to prevent the achievement of job satisfaction?

Group One    Group Two    Group Three    Group Four

The factors identified as epitomizing the ideal employer/manager were very similar through each of the 4 groups who took part in Survey Two. It was interesting to see the development of needs as experience and age grew.

Those in Group One needed their manager to be approachable, helpful and understanding above all else.

Group Two participants required their manager to demonstrate good time management and planning skills, followed by good people skills and being able to lead from the front.

Group Three needed clear communication, good organization and time management skills, clarity around the goals for the business and for the employee.

Group Four needed clear communication from their employer and good structure/organization/focus too. They also needed their employer to be open minded and trusting in the employee's ability while also confident in their own ability.

It seems that the most important factors lie within the realms of Herzberg's Hygiene Factors. The answers to Question Two appear to confirm the findings of Question One. All four groups rated poor communication as being a major factor in preventing job satisfaction, along with poor time management and organizational skills and people relationship factors.

In addition to confirming Herzberg's theory around the contributing factors to job satisfaction these results are also consistent with Maslow's theory.

Farmer B has had one notable success in employee tenure. The only difference being a common interest with Farmer B's wife which has fostered a solid integration into the business

## The Situation – Agriculture

Agriculture continues to be a significant employer in New Zealand, which along with forestry represented 11.6% of all employment in New Zealand, according to the SONZAF report for the year ending March 31, 2009. (Ministry of Agriculture and Fisheries, 2011).

A standard formula across all businesses calculates staff costs at around 60% of operating costs. It is interesting to note the level in agriculture is closer to 30% (of total on farm working expenses - FWE) (Ministry of Agriculture and Fisheries, 2011).

The industry appears to be increasingly favouring the use of casual labour over full time permanent employees. Anecdotally, employers are feeling frustrated by their inability to attract and retain quality skilled staff and this is supported by Federated Farmers (Federated Farmers of New Zealand, 2011, July).

Due to the predominance of small organizations in the agriculture sector, the industry is largely unable to provide for career progression within a single organization. This factor plays a significant role in agriculture's turnover statistics. However, the increasing numbers of corporate players are now able to provide for internal promotion.

"Having worked with Investors in People NZ Ltd since 2008 we have now recognized a marked increase in career progression within the company, Also 1/3 of our 50/50 sharemilkers have gone on to buy a farm."

- Corporate CEO

Agriculture offers some peculiarities in employment situations that may not be seen in other industries. There are a number of peculiarities around farm businesses in relation to other sectors.

- Because of the independent nature of the working environment employers often don't see poor practices; they only see the poor outcomes. This often leads to a less than desirable response to an employee blunder. Had the employer seen the work in progress the outcome may have been anticipated earlier and therefore avoided.
- Most managers are extracted from within the peer group. They may demonstrate sound technical ability but this does not necessarily translate into leadership ability.
- Fluctuating hourly requirements can allow for tacit approval of excessive work hours on an on-going basis.
- Whole lives are wrapped up in farm employment as workers most commonly live on farm, in the business.

Recruitment practices in agriculture typically lack the professionalism of many other industries and as such are often prone to poor judgment. Often an employer will oversell the opportunity being presented due to low applicant numbers and the need to fill the position. It quickly becomes apparent to the new employee that the expectations he could reasonably have been expected to draw are unrealistic. If an organization is not clear about the role it is trying to fill it cannot reliably assess an individual's ability to meet that need. Every time an employee leaves, the organization should take the opportunity to reassess the role in terms of best fit with the current organizational goals and practices.

Farmer B pays an extremely high salary to attract employees. But the reality of the position does not match the job preview offered at the time of recruitment. His turnover is extremely high - he is at a loss to understand why!

Job satisfaction is the derived result from employee perceptions, therefore, an employee needs to see evidence of policies, procedures etc. being implemented in order to feel satisfied. In the same way employers must learn to only hire the right applicant so too must employees be more selective when considering new employment opportunities.

This may be why turnover percentages are high in the first year of employment - the employee has recognized the employer did not offer a realistic picture of the job opportunity. The dairy sector, in particular, attracts a significant number of career changers. This group has a lack of fundamental knowledge about the industry. This ignorance will add to the likelihood of unrealistic expectations if the employer does not portray an accurate picture of the job.

The physical work environment is a major factor in the agriculture sector which is often underestimated by career changers. Some employees experience poor housing conditions and an unsafe work environment. The 'Kiwi bloke' attitude of 'toughen up' can preclude effective safety policies and reasonable employment procedures being practiced.

Opportunities are perceived as greater during times of economic strength and over the course of 2011 turnover has appeared significantly greater than over the previous two years. During the years 2008-2010 agricultural employee turnover barely registered (as seen through AgITO database movement nationwide). Agriculture has been through an extended period of difficult economic times which challenged the economic performance of many businesses.

The dairy payout can be directly linked to employment rates also. When the payout is high it leads to more conversions and/or a freeing up of capital to appropriately staff an organization. The uncertainty over pay out levels contributed in part to the low turnover levels in 2008-2010.

While turnover is highest in low paying industries, the importance of the rate of compensation in terms of turnover is reduced during economic recession in favour of job security. However, lower rates of pay may result in feelings of entrapment for a period preceding voluntary turnover. Those with greater financial independence may be more selective in their job choice.

It is necessary to remember that most agricultural businesses are family owned affairs where the manager is often the person responsible for the debt and therefore the financial stability of the organization. Because of this it is more difficult for the manager to release what amounts to personal information and control that may impact on his personal bottom line profits. However if excessive control is exercised employees are unable to demonstrate ability beyond that yielded by the manager. This will quickly lead to disillusionment and will most likely lead to a stagnating business. Those businesses who allow for participative management will see increased capability in their labour force which will in turn lead to greater potential for the business in terms of profitability and productivity through employee engagement. It could be argued that a more democratic workplace may make decision making slower but almost invariably the execution is faster.

The best managers are those who have experienced being an employee. The most successful employment relationships are those where the manager adapts his style to best match that of the team member. Often in agriculture we see managers who take over family businesses with no greater qualification than birthright and limited technical expertise.

In most farm situations the communication transfer is done in an informal way. However, in the corporate structures now more prevalent in agriculture there is a move towards having a more formal approach to communication. This is required to ensure uniformity of message through the whole workforce.

It is important to recognize that people have different requirements of information transfer.

"We tried to minimize the risk of poor communication by offering the information through many vehicles; on dairy shed walls, via the website, having supervisors deal with staff as well as sharemilkers... we try to keep people motivated through communicating our way through challenges, this approach also minimizes the potential damage of 'Chinese whispers'"

- Corporate CEO

Milligan & Erven cite a study by Pfeffer (Pfeffer, 1998) which examined businesses, largely in the blue collar sector, which appeared to enjoy greater success due to a people oriented approach. Pfeffer noted that productivity increased in 'people-centric' businesses. Training encouraged more streamlined work practices and a reduction in turnover is experienced when personal motivators are being positively addressed and management success becomes self-fulfilling on the back of labour force successes. The study also identified certain

characteristics of successful businesses. These characteristics largely emulate the intent of Gallup's Q-12 survey.

Given agriculture is an inherently solitary occupation it may be that a greater effort needs to be made to induce a sense of belonging. Generation Y members have the greatest need for workplace socialization but everyone needs to feel a sense of belonging in the workplace.

There is much talk about the different needs of the Generation Y workforce. It is sometimes suggested 'they' don't know how to work hard or that 'they' want to reach positions of seniority without putting in the legwork. I don't believe the Gen Y generation needs are any different. I believe they are more persistent, focused and vocal in the desire to attain job fulfillment from the outset.

In considering the unique nature of agricultural employment with regard to living arrangements being a part of the workplace, it is clear this situation often adds to the pressure of maintaining good workplace communications. Clear boundaries need to be set regarding work hours expectations and protection of personal space. Poorly managed, this area of relationship management is the most likely area for contention.

Tipples & Morris (2002) surveyed farmers on the attributes most keenly sought when recruiting.

- Good work ethics 30%
- Honesty 18%
- Good Skills and practical experience 14%
- Willingness to learn and follow instructions 10%
- Good communications, listening skills and compatible personality 7%
- Common sense and intelligence 5%.

When referenced against the results gained from Survey Two, conducted with employees, it appears that the differences in focus for both parties could lead to conflict. Survey Two respondents cited communication as the leading determinant of a great employer, followed by organizational/time management skills and empathy. The results of Survey Two also reflect on the fact that the industry as a whole may have recognized the need to improve employment practices however this may not yet be mirrored by on farm employer behaviour.

Induction programmes form a vital part of the entry process into an organization and are largely not done well in agriculture. Often an employee will have a vehicle allocated, a farm map and roster proffered and that may be the induction process over. Given the variance in factors from farm to farm the induction period (the time taken to become fully effective) will take considerably longer than day one.

Regular structured meetings can minimize the risk of early induction disillusionment through the provision of timely information. In some workplaces the single staff might eat with the employer's family. This allows for regular discussion about farm plans.

"All staff have breakfast here and the single staff eats all their meals with us. We just talk about what is going on and we also hear from them too about what's going on with them.

- Farmer A

Current on farm practice, in regard to employee development, tends to be done in response to specific farm requirements rather than individual employee needs. If a skills analysis was undertaken to identify skill gaps against core competencies required for the role, the result would be that both the organization and employee needs would be met. This approach would also enhance the employee's feeling of delivering a worthwhile contribution to the organizational goals.

Having the specific requirements of a role clearly communicated through a well-defined job description would enable the employee to determine if the role could reasonably meet his or her expectations in terms of skill development. The well designed job description would also assist in determining

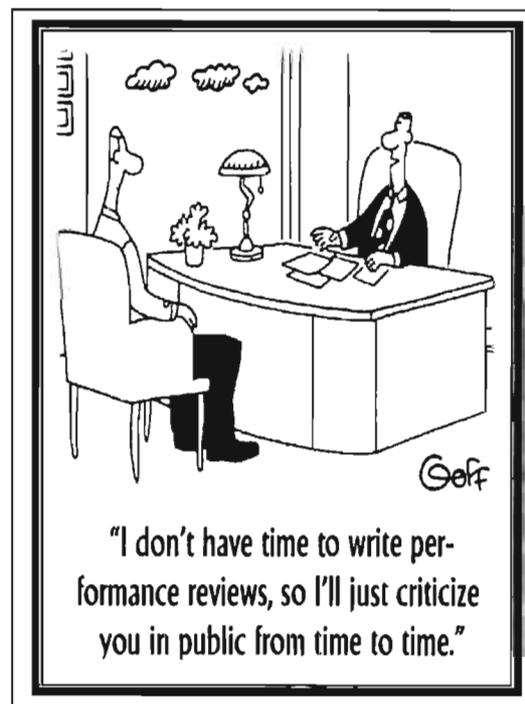
that point at which the employee had outgrown their role. This in turn would allow for a career progression plan to be formulated.

Formal Performance Appraisals are not in widespread use in the agricultural sector. However, if utilized, they minimize the potential for misunderstandings. If linked to a comprehensive job description, and the business goals, it enables very clear expectations to be communicated through well thought out KPI's. Having an employee review their job description for current relevance could be the first step to adopting a performance appraisal system. Performance appraisals are more relevant in a business with multiple workplaces or multiple staff as it offers a capability overview for the business. A business can only grow on the back of its human capability, and this is only possible if the organization has a clear understanding of its strengths and weakness in terms of human capability.

Career aspirations have a significant bearing on turnover in agriculture. Young farmers typically develop their skills by moving around farms to gain experience. This form of skill development is a necessity due to the huge variety of farm specific skill requirements. Education as a factor is a difficult determinant to validate in agricultural careers. Those entering the industry are often those who did not perform particularly well at school however their desire to 'up-skill' once in the workforce would not be dissimilar to other blue collar professions. The data portrayed in Table's 13 and 14 demonstrates limited attainment

"while the reduction in turnover at ... is in part due to improved internal practices, it has also been a function of industry maturation which has resulted in people now no longer being promoted beyond their capabilities"

- Corporate CEO



of formal qualification for those included in the agriculture statistics. This has led commentators to incorrectly label agriculture a low skilled workforce.

The agriculture sector is currently facing calls for increased skill level in the industry. While acknowledging the shortage of skilled labour in the sector it must also be recognized at which level of the sector these shortages are present, e.g. developing highly competent milk harvesters is equally as important as developing the management skills of those leading the businesses. In addition, the industry itself must accept some responsibility for the development of human capability.

Federated Farmers noted in their Farm Confidence Survey (Federated Farmers of New Zealand, 2011, July), taken at the beginning of the 2011/12 season, that a net 5.7% of respondents reported it harder to find skilled and motivated staff over the past six months, an increase of 7.6 points compared with the same time last year.

Skill level is often considered to be a pre-determinant for high levels of turnover. Previous formal educational achievement may have some bearing on the training offered by the organization, particularly in tighter economic conditions and/or uncertainty of potential tenure. This reluctance to invest in training may have some bearing on the fact agriculture also has the highest incidence of injury claims. It could be a direct correlation to the impact turnover may have on an organization's inclination to invest in safety training

A report from AgITO (AgITO) into both the Dairy and Sheep & Beef sectors suggests a ROI ratio of 3.4:1 and 4.9:1 respectively. This translates into an average annual value added to a sheep and cattle business of \$17,400 and \$8329 to a dairy business (reported in 2005 \$ terms). The potential return assumes full alignment with organizational requirements.

The greater the skill level the greater the expectations of reward from employment. The university graduate enters the workforce with higher expectations than the unskilled employee. This may lead to the graduate being at greater risk of contributing to turnover statistics due to unmet expectations, however management level turnover is likely to be lower than the lower skill levels. This corresponds with the age, length of tenure and skill level generalizations already discussed.

The lack of internal career progression opportunities due to most agricultural organizations being small businesses is a limiting factor for the sector. The desire for greater career opportunities means that organizations regularly lose labour skill earlier than might be the case in a larger organization able to offer promotional opportunities. The increase in corporate business in the agriculture sector is assisting with career progression opportunities, as is the growing number of family businesses expanding through land acquisition and amalgamation. There is a case for further initiatives such as the Amuri Dairy Employers Group being formulated to provide career progression opportunities in a structured manner. (Amuri Dairy Employers Group).

Job tenure in the agriculture sector also has ramifications for the wider community in terms of school rolls, sports teams and consistent governance of various community groups. In areas that have experienced rapid dairy growth the community dynamics have been severely challenged through frequent resident turnover which in turn threatens the effectiveness or viability of community groups.

## Conclusion

Agriculture does appear to have high staff turnover rates. However, I believe that is more a function of the data grouping undertaken by statisticians due to low numbers in the data sets. In order to gain a more accurate picture of the industry rate of turnover in pastoral farming the group of seasonal short term employees needs to be quantified. Few other industries have the propensity towards short term casual labour that agriculture does.

The results from Survey One appear to be in line with industry expectations. While skill development continues to be achieved largely through experiential learning the current levels of turnover may be appropriate. The key lies in paying closer attention to those factors that lead to high staff turnover. In addressing those factors the industry will build organizational capacity and strength which will lead to greater productivity and ultimately profitability.

It appears the problem may lie more in mismatched expectations between employers and employees. Employees appear to be looking for organizational commitment to their skill development and employers want the necessary skills to be in place already.

Industry leaders and representative bodies need to take a cooperative approach to redesigning employment arrangements that will better meet the motivational drivers of both employee and organization. The current tendency by those bodies representing employers, which focuses on minimizing exposure to employee criticism, rather than advocating for mutually beneficial arrangements, does nothing to advance the intent of good faith bargaining, as espoused by the Employment Relations Act (2000).

As an employer it is important to approach the task of managing people with a glass-half-full mentality rather than the half-empty mentality. Nothing is surer than the adage that you get what you expect, if you expect to be let down by your employee's you almost certainly will be. However, if approached with positivity you will be rewarded with employees who feel motivated to succeed, sometimes referred to as the Pygmalion effect. The ranting's of dissatisfied employers merely emphasize their inadequacies as mentors.

As New Zealand will continue to have a strong reliance on the earnings of the agriculture sector the negative perception of agricultural careers must be addressed. In identifying those factors that lead to turnover we have also identified those areas that contribute to job dissatisfaction. In addressing those factors currently leading to dysfunctional voluntary turnover the industry will inevitably improve the perception of career opportunities in agriculture. At this point the industry must take responsibility to actively promote these opportunities.

## **Action**

It would be interesting to do some further investigation into causative factors determining turnover levels. In order to further refine the measurement of these factors it would be interesting to undertake this research within some large organizations with multiple workplaces. This would enable some clear analysis to be made, within some controlled parameters, of determinant factors such as management/supervisory capability, geographical and demographic considerations e.g. schooling, cohort make up of region – predominantly families or single community, communications etc.

Further, the attached brochure requires further refinement before advancing it to industry bodies to assist with building and therefore promoting human capability development in the agriculture industry.

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## Actions for Employers



In so many other ways agricultural businesses have adopted best practice professional standards and systems.

The industry as a whole has recognized the need to invest in human capability but so many individual organizations don't believe it is their responsibility to develop human capability in their employees.

Engaged employees can lift productivity by up to 50%. So begin considering employees as an asset not a cost.

If you don't know where to start to improve employment outcomes, but you do want to, please call.



**Supporting Productive Employment Partnerships**

Enhanced Employment Relationships

Sarah Barr  
Phone: 03 444 9380  
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Email: sarahbarr@xtra.co.nz

Enhanced Employment Relationships



## Improving Employment Relationships

**Understanding Motivational Drivers In Employment**

A 2011 Kellogg Project

## **Appendix**



## 2 FARM INFORMATION

2.a How many su? / How many Cows Milked?

2.b How many staff employed on your farm?

2.c The accommodation provided is of a good standard

2.d You know what the farms business goals are

2.e You know how your role contributes to the farm business goals

2.f The farm has enough staff

2.g **Overall Satisfaction with: Farm Knowledge**  
1= Not at all Satisfied      10= Extremely Satisfied

2.h **Any Comments:**  
What type of information would assist you in doing your job better?

SU      Cows milked

1      2-3      3-5      5-10      10+

YES      NO

YES      NO

YES      NO

YES      NO

1      5      10

## 3 SKILL INVESTMENT

3.a I am currently doing off farm training

3.b My employer fully supports off farm training

3.c My employer encourages attendance of field days, monitor farm days, DairyNZ discussion days etc.

3.d My manager does not make time to teach me new skills on farm

3.e My manager and I have agreed on a plan for my skill development

I would like to work out with my employer how I could get better at my job

3.f **Overall Satisfaction with: Skill Investment**  
1= Not at all Satisfied      10= Extremely Satisfied

3.g **Any Comments:**  
What types of opportunities would be most worthwhile to you?  
e.g. AglTO courses, field days, discussion groups, my boss taking time to teach me as we do the job etc.

Strongly Agree      Agree      Neutral      Disagree      Strongly Disagree      Not Applicable

1      5      10

## 4 WORKPLACE MANAGEMENT STYLE

|     |   | Strongly<br>Agree | Agree | Neutral | Disagree | Strongly<br>Disagree | Not<br>Applicable |
|-----|---|-------------------|-------|---------|----------|----------------------|-------------------|
| 4.a | My manager leads by example   |                   |       |         |          |                      |                   |
| 4.b | I got all the information I needed when I started this job                      |                   |       |         |          |                      |                   |
| 4.c | I have regular, scheduled planning meetings with my owner/manager               |                   |       |         |          |                      |                   |
| 4.d | My manager is interested in what is going on in my life                         |                   |       |         |          |                      |                   |
| 4.e | I have annual or bi-annual performance review meetings with my employer         |                   |       |         |          |                      |                   |
| 4.f | My manager sets realistic goals   |                   |       |         |          |                      |                   |
| 4.g | My manager is inspirational   |                   |       |         |          |                      |                   |
| 4.h | My manager allows me to use my initiative                                       |                   |       |         |          |                      |                   |
| 4.i | I get clear and regular feedback about any good performance or poor performance |                   |       |         |          |                      |                   |
| 4.j | My workplace has clear processes and procedures                                 |                   |       |         |          |                      |                   |
| 4.k | My manager has good time management skills and plans the work flow well         |                   |       |         |          |                      |                   |
| 4.l | My workplace allows me to take holidays when I want, within reason              |                   |       |         |          |                      |                   |
| 4.m | I am not happy with the communication in my workplace                           |                   |       |         |          |                      |                   |
| 4.n | I receive feedback or recognition on a job well done                            |                   |       |         |          |                      |                   |
|     | My manager is great at giving clear instructions                                |                   |       |         |          |                      |                   |

4.o **Overall Satisfaction with: Workplace Management Style** | 1 5 10  
 1= Not at all Satisfied      10= Extremely Satisfied



4.p **Any Comments:**  
 What would lift the management style rating higher  
 e.g. trusting you with more responsibility, better time management and planning, clearer directions, taking time to teach me new skills etc.

|     |   |
|-----|---|
| 4.q | Why was your best job the best job?<br>e.g. perks, learnt a lot, pay, time off, location, type of work, lots of encouragement, hours of work, stimulating, recognition when I did well etc. |
| 4.r | Why was your worst job the worst job?<br>e.g. no perks, learnt nothing, pay, time off, location, type of work, no encouragement, hours of work etc.   |

### 5 JOB SATISFACTION

|     |   | Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree | Not Applicable |
|-----|---|----------------|-------|---------|----------|-------------------|----------------|
| 5.a | The amount I am paid is fair  |                |       |         |          |                   |                |
| 5.b | I believe I make a worthwhile contribution to the company I work for        |                |       |         |          |                   |                |
| 5.c | I am <u>happy</u> to be held accountable for all my work                    |                |       |         |          |                   |                |
| 5.d | I am given the right amount of independence and responsibility to do my job |                |       |         |          |                   |                |
| 5.e | I am unhappy with my working week/roster                                    |                |       |         |          |                   |                |
| 5.f | My employer often tries ideas I suggest                                     |                |       |         |          |                   |                |
| 5.g | My manager is really approachable if I have problems or concerns at work    |                |       |         |          |                   |                |
| 5.h | I have work/life balance  |                |       |         |          |                   |                |
| 5.i | I know I am meeting all the requirements of my role                         |                |       |         |          |                   |                |
| 5.j | I should have had a salary review by now                                    |                |       |         |          |                   |                |
| 5.k | I definitely want to be farming   |                |       |         |          |                   |                |

4.m **Overall Satisfaction with: Job**  
1= Not at all Satisfied      10= Extremely Satisfied



5.n **Any Comments:**  
What would make your job satisfaction rating higher

### DEMOGRAPHICS

6.a Male

|     |                     |                          |           |                          |                       |                          |                       |                          |                       |                          |                       |                          |          |                          |
|-----|---------------------|--------------------------|-----------|--------------------------|-----------------------|--------------------------|-----------------------|--------------------------|-----------------------|--------------------------|-----------------------|--------------------------|----------|--------------------------|
|     | Female              | <input type="checkbox"/> |           |                          |                       |                          |                       |                          |                       |                          |                       |                          |          |                          |
| 6.b | Age                 | <input type="checkbox"/> | 16-20     | <input type="checkbox"/> | 20-25                 | <input type="checkbox"/> | 25-35                 | <input type="checkbox"/> | 35-45                 | <input type="checkbox"/> | 45-55                 | <input type="checkbox"/> | 55+      | <input type="checkbox"/> |
| 6.c | Married             | <input type="checkbox"/> |           |                          |                       |                          |                       |                          |                       |                          |                       |                          |          |                          |
|     | Single              | <input type="checkbox"/> |           |                          |                       |                          |                       |                          |                       |                          |                       |                          |          |                          |
| 6.d | Income Range        |                          | >\$25,000 | <input type="checkbox"/> | \$25,000-<br>\$35,000 | <input type="checkbox"/> | \$35,000-<br>\$45,000 | <input type="checkbox"/> | \$45,000-<br>\$55,000 | <input type="checkbox"/> | \$55,000-<br>\$65,000 | <input type="checkbox"/> | \$65,000 | <input type="checkbox"/> |
| 6.e | I grew up on a farm |                          | Yes       | <input type="checkbox"/> | No                    | <input type="checkbox"/> |                       |                          |                       |                          |                       |                          |          |                          |

*Thank you very much for taking part in this survey.  
If you are interested in the final project findings I will happily forward you a copy.*

### \$50 Supermarket Voucher Draw

September 14th, 2011

Your Name: \_\_\_\_\_