Employee retention in community services organisations

A research study into what causes employee turnover and what can be done to reduce it

This Insync study takes a closer look at employee retention in community services organisations. We examine the causes of employee turnover and the key initiatives for reducing it.

Our study is based on a survey undertaken with 21 community services organisations and draws from our extensive employee engagement consulting experience in the sector. We conclude by putting forward six recommendations for a retention strategy that will make a significant impact on reducing employee turnover.

insync ™ surveys research consulting

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1. Key findings

Challenges

Community services organisations face a number of challenges in retaining high performing employees. These include career opportunities, professional development opportunities, job satisfaction, work pressure and work life balance. Remuneration and benefit levels are an obstacle for some organisations, but not for all. Personal reasons also play a big role in people deciding to leave their community services employer, emphasising the need to offer flexibility, particularly since the majority of employees in the sector are women.

Low turnover organisations

A significant minority of the 21 organisations that participated in the study (38%) are experiencing low turnover of up to 15% per annum. This highlights that high retention can be achieved when organisations have a clear focus and Employee Value Proposition (EVP). High retention organisations are often characterised by a high degree of specialisation, being able to make a demonstrable improvement in the lives of the people they serve, and having a positive organisational culture that supports employees in doing a good job.

Benefits

Survey respondents see numerous benefits from reducing employee turnover, primarily relating to increased efficiency and effectiveness, as well as better client service. Many respondents highlighted how cost savings from doing less recruiting, onboarding and basic training allowed them to use more of their financial resources for the work they do in community.

Retention strategies

The most common retention initiatives currently being used relate to training and development and cultural improvements. We believe that the study raises the question whether retention strategies are being developed and implemented in a systematic manner. While the study did not provide definitive evidence about this, there is some evidence that the true causes of employee turnover are not being adequately measured and analysed. There is also some evidence that retention strategies are not being developed and applied in a holistic manner. Instead, ad hoc responses may be being made in response to specific issues as they arise.

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2. Introduction and objectives

Employee retention is a critical issue for the community services sector. With typically lower salaries than their public and private sector counterparts and the need for long-serving employees to build trusting relationships with clients, knowing how to how to keep high performing employees is becoming increasingly important for long-term effectiveness and sustainability.

In September 2014, Insync Surveys conducted a research study into employee retention in the community services sector. The key objectives of this study were to understand:

1. Current levels of employee turnover in the sector
2. The main causes of turnover within the sector
3. What organisations are doing to minimise employee turnover
4. The main benefits of reducing employee turnover

Twenty one community services organisations participated in the study. As shown in Figure 1, the majority or responses were from larger scale community services organisations, with about two thirds of respondents having 300 or more employees.

Figure 1 Distribution of respondents by number of people employed
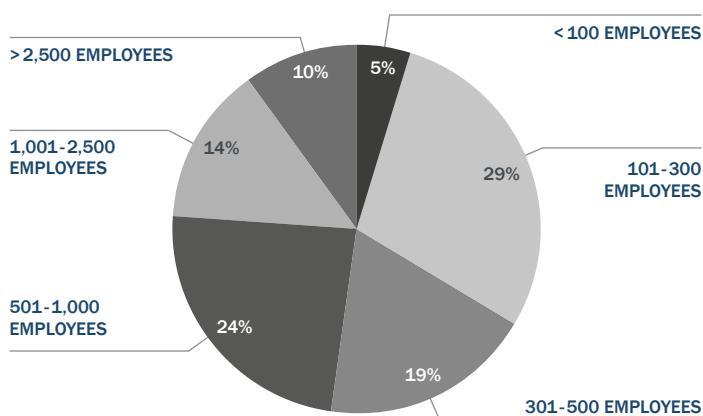
3. Levels of employee turnover

The study highlights that employee turnover levels vary widely in the community services sector – 38% of respondents are experiencing **low** turnover of up to 15% per annum, 33% are experiencing **medium** turnover of 16-22%, and 29% are experiencing **high** (23-29%) or **very high** turnover (30% or more).

Figure 2 Distribution of respondents by level of employee turnover
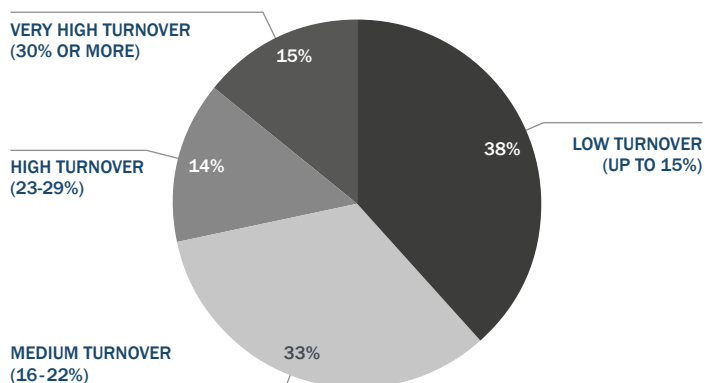
It is encouraging to see that a significant minority of organisations (38% of respondents) are experiencing low turnover. It shows that in spite of the challenges facing the sector (such as lower remuneration, limited resources and fewer career development opportunities) it is still possible to achieve high employee retention.

Insync's work in the sector shows that low turnover organisations are often characterised by:

High specialisation – they have a very clear focus not only in terms of the need (e.g. drug abuse or homelessness) but also in terms of the clients they serve (e.g. young people or elderly people). Specialisation bolsters retention in two main ways: (1) most employees are highly affiliated with the specific cause and therefore more likely to stay, and (2) there are fewer other organisations that are competing for the same set of employee skills and capabilities.

Impact – employees who can see they are making a real difference to their clients are much more likely to find their jobs fulfilling and to stay with the organisation. This is well illustrated by the following comment from an employee survey from an organisation with very low turnover: *"We really look after the residents well and it is a joy coming to work every day to see the residents and how happy they are. This is all due to the staff and management."*

Culture – low turnover organisations don't only care for their clients, they also care for their employees, creating a positive organisational culture. Job fulfilment is inextricably linked to being empowered and supported to genuinely help disadvantaged clients. A constructive culture assists in delivering better results for clients which in turn reinforces job satisfaction and commitment to the organisation. This is well illustrated by another employee comment from the same organisation referred to above: *"Our organisation has an amazing culture with residents and staff. The training they provide their staff is fantastic and staff have the option to move within the company. Residents are treated with respect no matter where they have come from or what complex issues they may have. Our organisation has a lot of long serving employees which really speaks volumes, I'd be happy to work here for the rest of my career."*

While it is encouraging to see that low turnover can be achieved, the majority of organisations – 62% – are experiencing either medium or high levels of employee turnover. The rest of the paper examines what is causing this and what can be done to reduce it.

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4. Causes of turnover

Respondents were asked to identify the two or three main causes of employee turnover in their organisations. There was a large variation in responses, indicating that different organisations and different parts of the sector are facing very different challenges.

The three most frequently cited causes of employee turnover were career opportunities, remuneration and work pressure/stress (see Figure 3).

Figure 3 Distribution of responses relating to the causes of employee turnover in the community services sector (N=21)
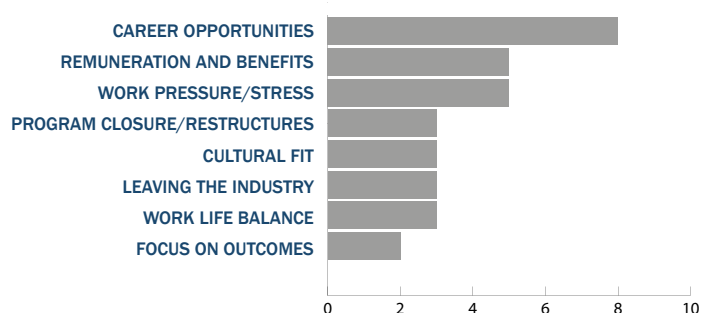
The exit surveys that Insync does for our community services clients do show that there are very different causes of turnover from one organisation to another. However, we have found that there are seven reasons for leaving that have a reasonably large impact on most organisations:

• Personal reasons (for example family commitments, health, travel, study, relocation and retirement)
• Job satisfaction
• Career opportunities
• Professional development
• A better job offer from another organisation
• Work life balance
• Work pressure/stress

The common items on the two lists are career opportunities, work life balance and work pressure/stress. Non common items would be experienced by some organisations in the sector, but would play a much smaller role in other organisations.

Personal reasons and work life balance are very important causes of employee turnover. The vast majority of respondents to our exit surveys are women, which is to be expected since most employees in the sector are women. Retention strategies must explicitly recognise that women make up the majority of the workforce. Women still take on most of the primary caring roles in the home, and this probably explains to some extent why personal reasons and work life balance are such important reasons why people leave. Recognising that employees need to balance their work commitments with relatively high home commitments might point to the need for even greater flexibility in this sector to make it possible to retain experienced women for longer.

Job satisfaction is hugely important in retaining employees. The lack of job satisfaction is one of the biggest causes of employee turnover. Job satisfaction is undermined when employees feel that they don't have the training, support or resources they need to serve clients effectively. While resourcing constraints are a common challenge across the sector, some organisations have found very effective ways to deploy their limited resources so that employees can make a real difference in the lives of their clients.

Limited career and professional development opportunities are two further important drivers of employee turnover. Many community services organisations don't have the same scale as some private and public sector organisations that provide employees with well-defined career paths within large hierarchical structures. They also might not be offer employees the same opportunities to develop their professional skills in highly challenging and well-resourced environments. However, the community services organisations that are keeping their high performing employees are doing a good job of articulating and communicating the career pathways offered by the organisation, both vertically and horizontally, backed up by mentoring and leadership development programs that help employees to grow personally and professionally.

> *Personal reasons and work life balance are very important causes of employee turnover.*

Employee turnover is naturally also driven by employees being attracted to other organisations that are perceived to be offering a better job. While many employees do make the choice to leave the community services sector, many others move to other organisations within the sector which they believe would suit them better.

The importance of work pressure stress also needs to be explicitly recognised. This factor is only highlighted in our exit surveys in the community services sector. It is not generally recognised as an important factor in our exit surveys in other sectors of the economy. While pressure and stress doubtlessly play a role in people choosing to leave organisations in every part of the economy, it tends to be less common outside of community services. Many community services employees are dealing with very needy and disadvantaged clients and have limited means to help them. This can have a big emotional impact on employees and lead to burn out. Recognising this risk, employers must find ways to support and reinvigorate front line employees as part of an effective employee retention strategy.

The sections above have described the causes of employee turnover that are common to most community services organisations. There are many others that play a smaller role in all organisations and a big role in some organisations. Our experience is that remuneration is not a major cause of turnover across the sector, though it will doubtlessly be important for some organisations. In our exit surveys remuneration is typically around the 8th or 10th most important reason why people leave.

Other reasons for leaving that are worth mentioning include: the employee's relationship with their direct manager, relationship with their work team, location of the job, concerns about job security and the level of challenge in the role. While these items aren't usually top reasons for leaving community services organisations, they can sometimes play an important role in particular parts of the organisation and should not be disregarded when developing retention strategies.

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5. Initiatives to reduce turnover

Two questions were asked to understand what community services organisations are currently doing to reduce employee turnover. The first asked respondents where they were making the biggest investment of resources to reduce employee turnover. The second asked respondents to describe two or three main initiatives (if any) that their organisation has implemented in the last two years to improve employee retention.

While there is insufficient data to make definitive conclusions, we believe that the responses may indicate that many organisations are not working on well thought out retention strategies and seem instead to be reacting to events as they unfold. The reasons for this hypothesis are outlined below.

The first question asked respondents where they invested most of their resources to improve retention on a scale of 1 to 7, where 1 = lowest investment and 7 = highest investment. Figure 4 shows the percentage of responses who chose a 6 or 7 for each of the four factors identified (i.e. the percentage of respondents who are making relatively high investments in these areas).

Figure 4 Percentage of organisations investing significantly in retention drivers
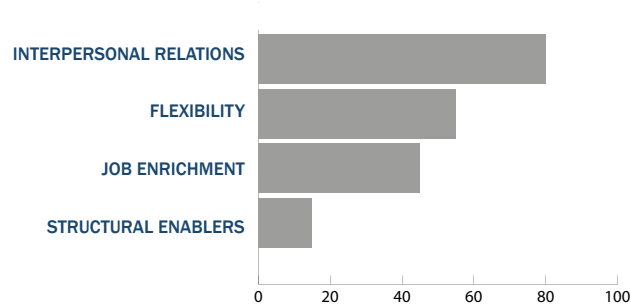

Eighty per cent of respondents are investing heavily in interpersonal relations, which includes the employee's relationship with their direct manager, relationship with their work team and employee fit with the organisational culture. While this is a worthy and good thing to do, none of these items are in the top 5 reasons for employees leaving most of the organisations we work with. The top reasons for leaving relate to personal reasons (implying the need to invest in flexibility and helping employees to find a good work life balance) and job satisfaction and career opportunities (implying the need to invest in job enrichment). Structural enablers are also critical for retention as they impact job satisfaction since they relate to ensuring that employees have the training and resources required to do the job, as well as receiving the appropriate recognition and reward for a job well done.

> *...most organisations would be best served by making job enrichment and flexibility higher retention priorities...*

While every organisation's retention strategy will be different (see last section of this paper), our hypothesis is that most organisations would be best served by making job enrichment and flexibility higher retention priorities, supported by interpersonal relations and structural enablers. Naturally this would not apply to all situations and all organisations, but does serve as a good rule of thumb guide.

The second question asked respondents to describe two or three main initiatives (if any) that their organisation has implemented in the last two years to improve employee retention. The results have been categorised in Figure 5.

Figure 5 Initiatives to reduce turnover (N=21)
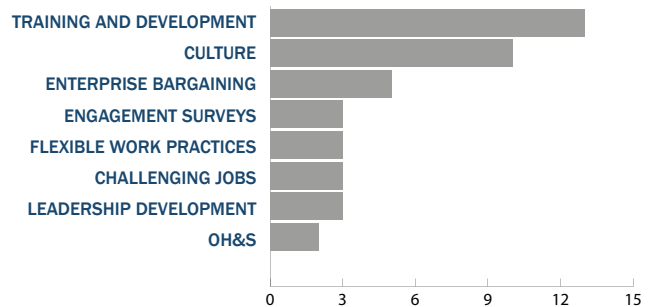
The initiatives that have been undertaken fall into eight main categories, with training and development and culture being at the top of the list by some margin. Training and development is undoubtedly a critical area for investment as it not only equips employees to execute their jobs successfully, it also has a positive impact on retention. Building a positive culture where employees are focused on client needs, collaborate effectively and take accountability for their actions is also critical and good both for the performance of the organisation and for employee retention.

It is worth noting that all of the initiatives identified above have a double benefit – they will typically lift the organisation's performance as well as improving employee retention. Other research conducted by Insync shows that perceptions relating to the organisation's performance do have a very significant positive impact on employees' intention to stay with the organisation. There is certainly a virtuous cycle that can be achieved whereby improved organisational performance improves employee retention which in turns improves organisational performance as it benefits from increasingly experienced employees.

While noting that many organisations have done a great job of retaining their employees (as evidenced by 38% of organisations having low turnover) and recognising that much good work is being done, we think that there is a fair amount of evidence to show that many organisations are not developing and implementing thought out retention strategies as well as they could be.

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6. Benefits of reducing turnover

Reducing community services' employee turnover not only improves organisational efficiency and effectiveness, it also can make a real difference in the quality of service provided to clients.

The chart below outlines the frequency of comments in relation to the open-ended survey statement: *What would be the main benefits for your organisation if you could reduce employee turnover by a material amount?*

Figure 6 Benefits of reducing turnover (N=20)
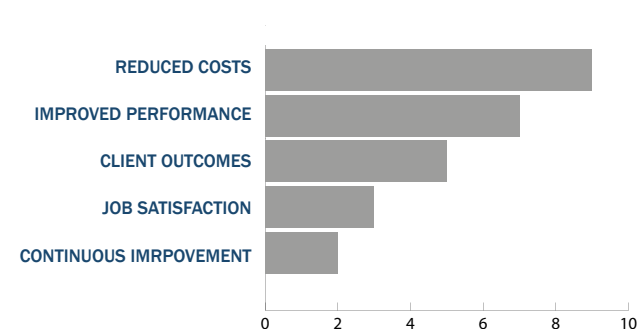
Cost savings are perceived as the biggest benefit from improved retention. These savings are suggested to result in "greater financial resources used for the work we do in community", and away from recruitment and on-boarding activity associated with high turnover. Another benefit of these savings is the ability to re-invest back into the community to continue to make a difference in the sector.

In addition, one of the most important findings of this research is that a main benefit of improved retention is its implications for consistent client service. As one respondent stated, such improvements will result in "stronger and longer engagement with stakeholders and clients". Working for an organisation that makes a difference to its customers and the community around them not only allows employees to have a greater sense of meaning and engagement with the organisation but also makes them more committed to the organisation and more productive with a desire to exceed client expectations. Related to this, many productivity benefits were mentioned by the respondents, including: more skilled employees, improved employee morale, and less time required to train people.

> *Cost savings are perceived as the biggest benefit from improved retention.*

Given that community services organisations need to manage their limited funds and scarce resources with great care, the benefits of increasing employee retention are very clear. Excessive turnover not only reduces the experience and capabilities of front line workers, it also drains time and money from the support areas of the organisation.

The next section outlines a proposed approach for increasing employee retention in a practical and cost effective manner.

Six ways to improve staff retention in the community services sector

1. DEVELOP A CLEAR RETENTION STRATEGY

We have put forward the hypothesis that many initiatives to retain high performing employees are designed and implemented in an ad-hoc manner without an overarching strategy. If this is the case, then it will not optimise the use of scarce resources nor deliver the best outcomes.

A good retention strategy is characterised by the following attributes:

- It sets staff turnover targets for the organisation as a whole and for high priority segments within the organisation. Targets should be challenging but realistic given the specific challenges and opportunities that the organisation is facing
- It is based on a calculation of the true cost of employee turnover for the organisation – this will provide guidance on the level of investment that might be justified to bring turnover down to targeted levels
- It is based on a deep analysis of the internal and external factors that drive turnover at the organisation and other organisations in the sector (see point 2 below)
- It defines how the organisation will position itself as an employer of choice to attract and retain the staff it needs to achieve its objectives (see point 3 below)

2. DO THE DEEP ANALYSIS REQUIRED TO UNDERSTAND THE CAUSES OF TURNOVER

The factors driving turnover have been discussed at some length in a previous section. Our analysis indicates that they typically fall into one of five categories:

- Job enrichment – the job is no longer fulfilling or stimulating
- Structural – employees lack the resources to do their job well and/or don't feel fairly rewarded
- Interpersonal – employees don't feel strongly connected to their colleagues, manager or organisation
- Home life - their life circumstances change (personal reasons, retirement, family, etc.)
- Environmental – they are approached by another employer with a better job offer

It goes without saying that it will not be possible to reduce turnover unless the causes of turnover are fully understood. Not only must community services organisations measure why people are leaving, they also need to have a robust conceptual framework to organise the information they receive to ensure that they have a complete understanding of the problem they are trying to solve. Our experience with exit surveys indicates that employees often leave for more than one reason – a number of factors often come together which leads people to making the big decision to move on in their careers.

3. DEVELOP A UNIQUE EMPLOYEE VALUE PROPOSITION

Maintaining staff turnover within the targeted band can depend on positioning the organisation as an employer of choice – being the type of employer that people don't want to leave. This relates to creating a strong and compelling EVP.

A compelling EVP will typically include the following factors which address the causes of employee turnover:

- Meaningful work (challenging work, personal and professional development opportunities)
- Inclusive and positive culture and dedication to continuously improving the work environment
- Enabling and rewarding performance and establishing fair wage agreements
- Balancing home-life factors and offering flexible work practices

It is not possible for an organisation to top score on every single one of these items. Rather, employers of choice are very clear on how to bundle together their employee offer in a way that is attractive to their particular segment of the employment market. Many leading employers in the sector are taking the same care in putting together attractive value propositions for their target employees as they do in a different context for their target clients.

4. HIRE THE RIGHT PEOPLE FROM THE START

The importance of cultural fit and hiring the right candidates at the start is particularly critical for the community services sector. Employees must feel that the job is right for them and enables them to work on the things they do best. Staff turnover will be reduced when care is taken to clearly communicate the nature of the role and what attributes are required to be successful in the role. Many community employers now include work colleagues in the recruitment process so that people already working in a similar role can communicate what they particularly like or dislike. This allows the candidate to make a better informed decision and reduces the likelihood that they will join with unrealistic expectations – and then leave shortly thereafter.

5. ENABLE EMPLOYEES TO SERVE CLIENTS EFFECTIVELY

One of the remarkable things we see in our work with community services organisations is how important it is to make a real difference in the lives of clients. While the organisation exists to address social issues and to help disadvantaged people, successful client interaction can have a powerful impact on individual employees and on the culture, morale and ethos of the organisation as a whole. Enabling employees to really make a difference in the lives of their clients must be at the heart of the retention strategy.

This can be challenging when the organisation has limited funding and limited resources. Notwithstanding this, it is very important to ensure that the following are in place:

- Measuring the impact of what the organisation does and celebrating the effectiveness of individual programs while recognising and learning from less effective programs
- Ensuring that employees have the training needed to do the job well
- Providing performance feedback that enables front line employees to continue improving their effectiveness
- Automating routine tasks and compliance requirements as much as possible to maximise the time and resource spent on directly serving clients
- Providing good internal customer service and ensuring that front line employees are supported by the leadership team and the rest of the organisation

- Recognising and thanking employees for their service to clients – both from immediate managers and executive managers
- Investing in IT systems and hardware that enable employees to serve customers well; while employees should not necessarily expect state of the art slim-line lap tops, they should also not be working with seven year old PCs with outdated operating systems!

6. BE FLEXIBLE!

Four out of the eight key initiatives that community services organisations are adopting to improve retention are focused on creating more flexible work practices, minimising stress and promoting work life balance. The findings from this research suggest that it is particularly critical for community services organisations to ensure that the job matches the personal interests and circumstances of employees, and that they offer sufficient flexibility to accommodate changing life circumstances. As community services employers become increasingly aware of how important home-life factors are in driving employee turnover, they will put a greater focus on flexibility as an integral (and potentially low cost) component of the EVP.

Many organisations now support flexible hours and locations – most often working from home. It can take much stress off an employee if they have the facility to work from home when necessary to take care of matters such as taking their car in for a service or attending to home repairs. Many organisations also offer special leave to help employees care for dependants in the short or long term. There are numerous benefits to employers by adopting flexible working arrangements including keeping skilled and capable employees for longer, motivating and energising staff, increasing employee satisfaction, reducing absenteeism, improving customer service and retention, and increasing the loyalty, trust and respect that employees feel towards their employer.

Conclusion

High employee turnover in community services organisations consumes scarce human and financial resources that can barely be afforded. It also directly impacts the quality of services provided to clients. While it is encouraging that 38% of community services organisations that responded to the survey are benefiting from low levels of employee turnover, it is clearly a big issue and challenge for most organisations in the sector (62%). While many good initiatives to lift employee retention are being applied – perhaps in an ad hoc way – the argument has been put forward that a well thought through retention strategy needs to be systematically developed and implemented to achieve the many benefits of increased employee retention.

About Insync Surveys

Insync Surveys works with over 30 leading community services organisations to help them improve their effectiveness and sustainability.

The Not-For-Profit (NFP) sector is becoming increasingly competitive and challenging. One of the major paradigm shifts is that NFPs are now competing as social enterprises in a dynamic marketplace that rewards measurable social impact. Society recognises the need to address social issues but wants to ensure that funds are spent wisely and that social programs have demonstrable outcomes.

Addressing complex social issues requires skilled employees who have a strong client focus. Front line employees can only perform effectively when they have the organisational support they need, including good leadership, efficient processes, a client centric culture and adequate system support. Social enterprises can no longer be run largely on passion and good will.

Insync Surveys' services in the community services sector are typically directed towards helping clients address four key challenges:

- Attracting and retaining employees with the requisite skills and abilities
- Understanding and meeting the needs of clients
- Lifting organisational capability and making ongoing improvements
- Demonstrating the impact of programs, securing funding and ensuring sustainability

To help our clients become more effective and sustainable we provide a comprehensive suite of services that assist with:

- Employee alignment and engagement
- Employee retention
- Change tracking and supporting implementation of new service delivery models
- Client engagement
- Donor engagement and brand tracking
- Program effectiveness
- Board effectiveness

Each of these services is based on our well validated research frameworks and extensive sector specific experience. Some of our recent research papers relating to the community services sector include:

- Growing organisational effectiveness and sustainability in the NFP sector
- HR challenges and triumphs in the NFP sector
- Men's Sheds in Australia – effects on physical health and mental well-being (research study for beyondblue in the public domain)
- Employee retention – a critical enabler of community services organisations

All of these research papers can be downloaded from our website **www.insyncsurveys.com.au**

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