

Retention of people in dairyfarming – what is working and why?

Executive Summary

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The sustainability of dairyfarming relies on people wanting to work or invest in dairying over time. How willing people are to work or invest will change over time and depends on the relative attractiveness of dairying in terms of work and wealth creation. Dairyfarming in Australia is shifting from an equity-based industry to a labour-based industry with a trend to concentration of farm ownership on fewer and larger farms, with a reliance on a paid workforce. To maintain or grow dairying therefore requires an understanding of how well dairying attracts, retains and develops its workforce.

This research places the focus on the retention of people in the dairyfarming workforce. Once people enter into dairyfarming, how well are they retained?; what influences this and are there emerging issues for future farm workforce needs? How well people are retained contributes to business profitability (turnover is a direct cost to farm businesses); the supply of skills for current and future needs (people who are retained on farms or in the industry are gaining experience and skills for future demand); and, there is a greater return on investment from training or attraction initiatives.

Retaining people in dairy farming has received limited attention from research, particularly the link between the *on-farm practices* that support retention and the *between-farm support* mechanisms that provide career pathways in regions or in the industry.

This research sought to address some of these gaps by studying how people are retained in dairyfarming. This is an essential area of work in the people strategy for industry sustainability (Dairy Moving Forward, 2010). The research represents a small and specific study into retention and focuses on what is currently working to retain and develop people on individual farms and in the industry as well as on identifying areas for intervention and change.

The research questions guiding the study were:

1. What processes are involved in aligning on-farm retention practices with employee needs and regional initiatives?
 - a. What value do farmers place on retaining people in their farm business?
 - b. How do employees experience efforts to retain them on-farm or help their career?
2. How can regional dairy groups enhance the retention strategies of farmers to improve industry workforce retention?
 - a. What role can regional groups play in supporting retention of people in dairying more broadly (e.g. career pathways at a regional or between-region level?)

The research involved:

- an analysis of industry data concerning turnover and retention on Australian dairy farms;
- a literature review to establish global best-practice in retention in business and identify effective strategies that have been used in different sectors;
- an analysis of employer practices and employee experiences of retention on 9 case-study farms chosen for their reputation for retaining people in their region. Seven of the case studies explored employment-based relationships and two of the case studies explored leasing and sharefarming arrangements;
- a survey of 31 employees regarding their current experiences in dairyfarming and an exploration of the main factors influencing intentions to exit employment.
- a workshop with 3 Victorian dairy regional groups to consider the research findings and develop draft plans to support retention in their regions.

Defining retention

“Retention” in the context of this research is an employer-based concept and involves the systematic efforts of employers to:

- create and foster an environment that encourages current employees to remain employed in their business,
- avoid employee turnover and associated costs such as hiring and training expenses; productivity loss; and damaged morale among remaining members of the workforce,
- reward or acknowledge talented employees and meet individual needs so they are more likely to stay and contribute to future business needs.

In this research, and with respect to retention at a sector level, an additional consideration is the reputation of a sector to provide interesting jobs and careers and how capacity and skills are built for future needs. High turnover on individual farms is considered to impact the image of dairying and reduce the impact of attraction and training efforts. The effectiveness of between-farm networks and industry-level initiatives to establish career pathways and improve attraction and training efforts are therefore important considerations.

Although commonly thought of as a measure of the length of an employment relationship, retention is not defined by an “ideal” length of tenure. In this research, the contribution of retaining staff to business success, rather than length of time people stay on individual farms is the main focus. It is worth noting however that high *annual* turnover is the primary measure of turnover problems impacting business success in many sectors.

Research results

Retention of employees in any sector is not straight forward

The benefits of retaining staff and the downsides of turnover are well recorded in the literature. Whereas retention of employees can lead to improved productivity and business performance, turnover has a large downside in the potential for chronic understaffing leading to employee fatigue, increased risk of injury and workplace stress and a less qualified workforce that may hinder the ability of the business to remain competitive.

Numerous studies recognise four broad factors impacting employee turnover:

1. External labour market conditions,
2. Characteristics of the individual business,
3. Characteristics of the employee,
4. Employer strategies that promote: employee commitment to the business; value/goal congruence between employees and employers; employee engagement; employee wellbeing; job satisfaction; work motivation; achievement of work-life balance; and fulfilment of the psychological contract.

The most highly correlated factors with retention tend to be the employer strategies (4) and there are diverse views on how individuals and organisational characteristics influence retention.

There are also different measures of retention that need to be considered. The key to retention is to reduce *voluntary employee turnover* rate or employees leaving a business when it is preferred that they stay. Three measures of turnover are considered more relevant to dairyfarming situations. The separation rate reflects a general tendency to leave a business or sector regardless of employment status and provides the broadest indication of a turnover problem. The accession rate reflects the number of new entrants inducted into a business or sector (in general) because of people exiting and is considered an indicator of “churn”. The stability index provides an indication of the retention of experienced employees and is calculated as the number of employees with one year’s service or more as a percentage of the

number of people employed a year ago. Increasing this index indicates the business or sector is improving retention of more experienced staff.

Retention in a sector then is not as straightforward as applying a formula of “pay and conditions”. Further, the dairy farm sector has only collected a small amount of data that provides a general indication of turnover issues. In order to monitor and track turnover and develop a greater understanding of critical issues in retention, better data and targeted data collection is necessary.

Does the Australian dairyfarm sector have a retention problem?

Using industry generated survey data, it is estimated that the average turnover rate of employees in the dairy industry is 35% (measured as the number of employees who have left a farm job as a percentage of the total number of employees in farming across a year). It is estimated that the annual exit rate out of the dairy industry (measured by the % of people needed to be recruited into the industry from outside) is 15.5%. Although this is similar to recorded figures in the New Zealand dairy industry, in comparing turnover rates to other sectors in the Australian and international business sector, turnover rates are higher by over 10% with other sectors.

A global HR consulting firm recently estimated the direct costs of staff turnover to range from 50% to 150% of an employee’s annual salary depending on their role and level of seniority. Using these multipliers, turnover is conservatively estimated to have a direct cost to the dairy industry between \$60 and \$200M annually.

It is therefore concluded that the dairy industry does need to seriously consider retention as a factor impacting farm productivity, profitability and sustainability. Retention is costing individual farms and the industry (in terms of future skills). It is not known the extent to which there is broad awareness amongst farmers of the extent of direct and indirect costs involved in turnover nor awareness of strategies for reducing turnover.

The global agricultural retention “problem”

In international studies, difficulties in retaining employees in the agricultural sector have centred on four key issues:

1. poor working conditions;
2. lack of career development and promotion opportunities;
3. neglect in occupational health and safety; and
4. availability of alternative employment.

In these studies, suggested retention strategies include: setting clear HR policies; offering a competitive compensation package, not just covering wages but including benefits and bonuses or profit sharing plans; flexible schedule of working hours; training and career advancement opportunities; and regular use of less costly practices to enhance employee engagement.

Further, sector-wide and long term initiatives to support improvement in retention on top of employer-driven changes have been suggested as essential for sectors that have had a prolonged reputation of minimising labour costs; have specific job demands; lack job security e.g. seasonal fluctuation in labour demands; provide limited opportunity for promotion from within; are low status or provide poor working conditions.

Overall, there has been very little examination of issues of retention in dairy farming, particularly the reality of retention practices and experiences of employees of retention in dairyfarming in Victoria.

What is working and why in retention of people in dairyfarming?

The study of employment practices of 9 dairy farm businesses with a reputation for retention has revealed a diverse range of practices and strategies amongst farmers that consistently supported high levels of job satisfaction and retention of their employees. The additional survey of 31 employees confirmed the case study findings.

Employees were retained because of the comprehensive employment strategies of their employers:

Dairy farm employees were influenced to stay with their employer because they were promised with and experienced:

- Higher than the average pay rates in industry for their role
- Flexible work hours
- Limited weekend hours and very long shifts
- Training and development opportunities
- Feedback and appreciation for a job well-done
- Individual attention to career development and mentoring
- An enjoyable work environment with good facilities
- Varied work

Irrespective of level of seniority, role or gender, employees rated learning and good working conditions as influential in their satisfaction with their work and in their intention to stay with their employer. Employees also believed their employer stood out from other employers in terms of what was offered to them. The employee survey findings also found a high correlation between rewards, working environment and opportunities for growth and development with dairy farm employees intention to stay with their employer.

With respect to the attraction of people into dairyfarming, the indications from the employees interviewed in this research suggest that the industry is appealing to a wide range of people (age, gender, aspirations), and the variety of dairy work is attractive compared to many other roles in the regional areas covered in the study.

Employers were motivated toward employment strategies that suited their own preferred working environment

Case study employers held a view that retaining people was of great benefit to their farm because employees built skills appropriate to the farm. This meant that any time spent training delivered a dividend. Employers were also able to take time-off away from the farm with confidence, the farm ran more smoothly with employees familiar with the farm, and employees developed ownership and commitment toward the goals of the farm.

However farmers did not necessarily set retention as the primary goal or purpose of their strategies, rather, retention was the consequence from putting together the work environment they themselves wanted to work under. In this way, the employer strategies were “an extension of themselves”.

Employers were driven by a strong moral obligation to look after their employees as valuable contributors to their business. They resisted consistent long working hours for their employees, they sought to individualise their employment conditions, and provided every opportunity for learning and growth. The employers actively worked on their employment situation as part of the core business of farming and consistently discussed options with employees and seeking their input in farm decisions or prompting them to take learning opportunities.

Employers spoke of coming to a realisation as employers of the need to operate differently in employment if they were going to achieve their farming and business goals. This included: realising what they were currently doing in attracting and keeping people was not working;

wanting to be an employer of choice and not having to advertise (good people coming to the door); wanting to provide a standard of living to people that they would expect themselves; seeing effective working arrangements as essential for the profitability and longevity of the farm.

Employers spoke of challenges in retaining senior managers, particular those seeking entry into business ownership, yet all the employers with people seeking such roles on their farm were actively experimenting with options to retain them. In this way employers were seen to be a significant source of career development and mentoring for employees and were also instrumental in ensuring the career pathways of employees did follow a positive trajectory.

Retention was considered to extend beyond the farm gate

- Employers and employees saw a role for regional networks and industry in identifying and promoting the visibility of career ladder options and better workplaces to employees.
- The main impediments identified by employees to progressing in their careers were in the area of business ownership (access to finance, options for building assets).
- Advisers were playing a role in supporting both employers and employees with current and future employment options.

How does retention happen in dairyfarming?

Figure 5 presents a diagram of the key elements of the process of retention in dairyfarming in this study. It attempts to demonstrate the retention path and the link between employer strategies and the recruitment, management and development of engaged employees. Retention on dairy farms is suggested as an outcome from considering people and their capability and development as central to their farm business success and the development of people-focused employment strategies that are put into practice on a daily basis. These strategies simultaneously support the farm business goals, skills development on the farm and future steps for their employees and are also highly attractive to the best employees. Industry and service groups contribute to the process by providing opportunities to consider the importance of people in farm business success, in developing people-focused employment strategies for individual farms and in the sharing of strategies with other farmers. There is potential for industry to better recognise and use best-practice employers for profiling career options and funnelling training options and high potential employees into good jobs through these farms as part of attraction and development efforts.

From the empirical study it is clear that effective retention on-farm is a platform for developing skills, growing people into more senior roles and making career pathways visible to employees. Knowing retention is working is also a platform for communicating industry needs and industry offerings to those outside the sector. This introduces the importance of regional plans to support retention goals.

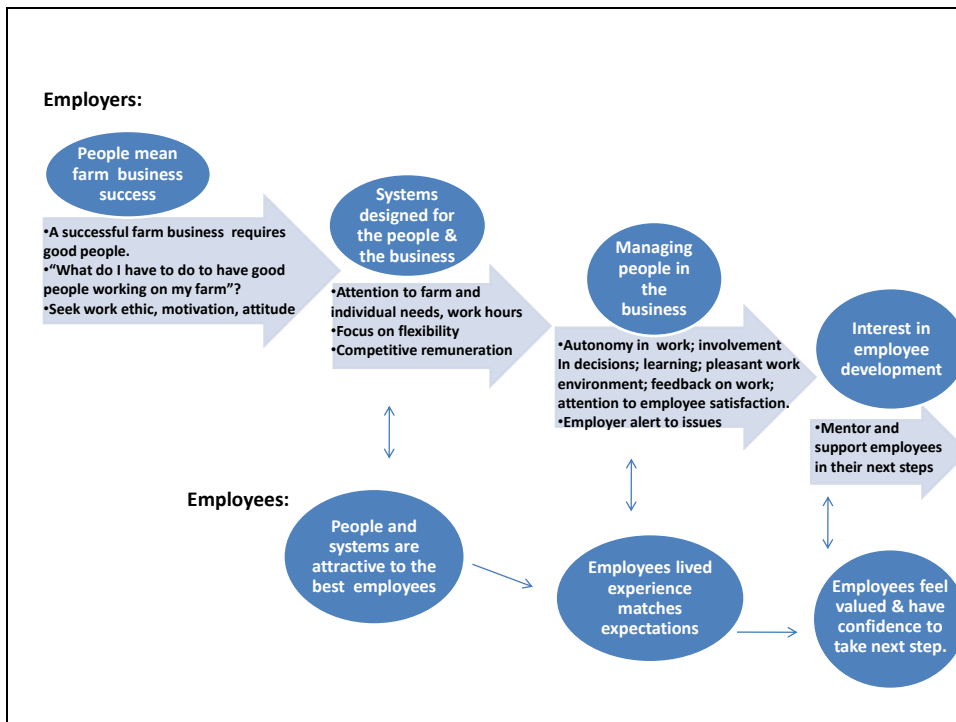
Regional plans are an important part of improving retention

Workshops in the three Victorian dairy regions produced draft plans for aligning current initiatives in careers, people and workforce development with greater emphasis on targeting retention of people in farming in their region.

The key elements of all 3 plans involved:

- Boosting efforts to improve employer practice
- Attention to the fate of entrants
- Creating networks that support farmers continue to improve practice and link up new entrants to better-practice farms.
- Better monitor and track improvement in retention

Figure 5: A diagram representing what worked and why in retaining people in dairyfarming from case study farms and employee survey



Conclusions and recommendations

Dairy industry data suggests that there is a retention problem in the Australian dairy farm sector. This is a source of direct cost to farm businesses and is limiting the effectiveness of career pathways and skill development. However, the problem itself and the solutions are not straightforward. Although average turnover and industry exit rates are considered high in comparison to other sectors, there are farms that operate at a high level in terms of people management, retention and attraction of staff. Therefore it is possible that retention problems can be addressed industry-wide by good employers leading change.

The implications of retention being a valued consequence from the pursuit of broader farming goals means that an entry point for industry to improve or enhance farmer strategies in this area is to link high turnover on farms to problems in achieving common farming goals like smooth running operations, more time off, or more profitable businesses.

The extent to which turnover is concentrated and the extent to which employees have an experience of career development or turnover in finding better situations or industry exit is less well understood when considered across the industry. Industry data would suggest that for every two people new to farms in the last 12 months, 1 had come from another farm and 1 had come new into the industry, and there were close to 4 others that had remained in their job for more than 12 months.

The size of the change challenge is not one solely for individual farms and clearly involves significantly more than training in HR practices. Changing retention performance of the sector involves understanding farm business values, strategies and practices concerning people, employee aspirations, regional issues and the contribution from a range of stakeholders.

Further research is suggested to understand:

- The concentration of turnover issues across the population of farms (including the direct and indirect costs of turnover on farms)
- The different employment strategies supporting retention across different job roles
- Changes being made on-farm and the impact of change on business performance
- The link between employee engagement, skill formation, and farm business indicators.

- The process of skill formation between formal and on-the-job training to develop skill package options for businesses
- The role of psychological contract fulfilment on employee retention in different job roles (i.e. milking staff vs senior managers)
- How networks of employers and service providers enhance industry retention and meet skill demands in regions.

Recommendations to the dairy industry

1. Establish consistent measures and track performance in turnover at an individual, regional and industry level (e.g. separation rate and stability index).
2. Collect data and track changes in farm working conditions offered across the industry for different roles. This can be used to support discussion in industry on acceptable working conditions, track shifts in what is being offered and used in discussions with stakeholders on the reality of what is available in the industry:
3. Collect data and track pathways of people in dairy-farming. As a trial to establish a system, track apprentices and trainees from the training system in dairy working over 3 years.
4. Promote and support change in farm people strategies as part of better farming which include:
 - *profiling good reasons for change* (i.e. the high cost of turnover, the interruptions to farming operations, the ability to achieve time away from the farm);
 - *profiling what is important to change* [i.e. expectations of dairy work, job design, working conditions (hours and timing of work, pay, benefits, facilities, decision-making for their job role), selection of staff, communication, feedback and rewards];
 - *Profiling how people can change* (i.e. setting up attractive systems, , day-to-day efforts, setting up feedback mechanisms on-farm, examples of how different farmers have put a cohesive package together for employment that suits the farm business, how working with advisers can help).
5. Promote and support change at an industry level including: supporting advisers and service providers in assessing retention issues and supporting reflection on expectations of dairy work; support farm leaders in championing change.
6. Examine closely the high turnover amongst assistant farm hands and farm hands and explore strategies for identifying high-potential employees (e.g. through the training system) and providing “funnels” into an attractive career pathway).
7. Develop regional networks of better-practice farmers, service providers, employment and career service groups regionally to generate a retention system (discussion of working conditions, profitable options, attraction of employees, etc and aiming to have more farms providing good experiences of work and a variety of on-farm roles with an ability to link talented employees interested in career progression to farms).
8. Support regional initiatives that link employers, employees, service providers, career development toward retention outcomes.