

# **Exploring the reasons for significant turnover in the recruitment Industry in NZ and suggested retention factors**

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*New Zealand Recruitment market started growing from the early 80's, hiring talents locally as well as hiring internationally. In a quest for talent with the right industry mix, recruitment consultants work tirelessly to satisfy and keep their clientele contented.*

*NZ has a limited pool of talents and with a significant number of people leaving overseas for better career prospects and monetary benefits, the New Zealand market is left in jeopardy. Only a limited number of qualified professionals are in the market and with NZ's stringent labour and immigration laws that are in place, the recruitment industry has huge staff turnover because recruiter's who don't generate revenue don't survive (Toby, 2008).*

*Recruitment companies according to Taylor (2001) are reporting the arrival of a new breed of highly skilled workers, they are younger, well educated, knowledgeable, extremely confident and not just interested in what they can do for the company, but rather what the company can do for them.*

*This paper will focus on the causes of staff turnover in the recruitment Industry in NZ and the conclusions will reveal the factors that would retain Recruitment Consultants in their jobs.*

## **Field of Research: Human Resource Management**

### **1. Introduction**

Talent retention has been an ever growing challenge of the 21st century. Once a trained Recruitment Consultant (RC) has been attracted, recruited and offered a place in the organisation, this investment the organisation has made, needs to be well looked after and retained. With the growing economy and scarcity of quality skilled talent as there is a lot of movement of labour around the world, retaining key RC staff has always been on the top of the list in any consulting firm. It is vital for employers to ensure they are aware of the employee's discontent and dissatisfaction at the workplace. The organisation culture and employee work satisfaction are deemed to be talent retainers for generation X and Y.

The new breeds of RC's entering the market are young, highly educated seeking huge monetary benefits and rewards for luxuries. They often research the company they want to work for, their presence in the market, the importance they give to their employees and the training and benefits they provide to up skill.

This paper sheds light on the researched and surveyed information received on the critical issues and problems faced by RC's that forces them to look for other work opportunities outside their organisations.

## **2. Literature Review**

Recruitment plays a vital role and is directly related to the productivity of an organization. Every company in every industry would like to have the best skilled person in the particular field. The process of searching for a particular employee till the time the vacant position is filled is called recruitment.

It's a course of attracting qualified applicants for a specific job. The process begins when applications are brought in and ends when the same is finished; from a pool of suitable applications received the best suited person is hired (Peter Boxall, 2003).

For many organizations getting the right person for the job has always been a challenge. Organisations either try to find a perfect fit for the vacant position from sourcing directly or outsource the process of searching for an employee to a third party recruitment firm.

Recruitment Firm/Agency, is a third party vendor who supports clients to find talent/resource with the specifications often called job description (JD) given by the client. The recruitment enterprise, searches for a resource person who fits the clients terms and gets information from him and about him with regards to his present work and his interest towards the new client. Depending upon his interest he is interviewed/ spoken to having in mind the client's requirements. If he qualifies in the interview session then his details are given to the clients for further interviews. An RC finds suitable recruits to give a choice to the clients. The process of finding a appropriate candidate may take a day or to whenever the client feels comfortable and gets what he looks for. Senior positions often take few months and even a year with few fussy clients (NAM, 1998).( E\_ RECRUITMENT – )

In a search done in NZ on yellow pages website, it shows there are 1003 registered recruitment agency in NZ recruiting for a variety of industry from the health sector to construction industry. Even though NZ market being one of the smallest western markets, the ratio of business to recruitment agencies are way too high thus showing the potential of the recruitment industry in the NZ market.( reference)

### **3. NZ Market of talents:**

Over 55,000 people on unemployment benefits, an aging work force, reduced number of quality new entrants in to the expert workforce, tighter employees focused laws and a market dependent on Australian Economy consists of New Zealand's labour market. (Price, 2007)

Recruitment hunt is the thing that keeps waking managers up at night. Business operates now in two split markets: the talent focused and customer focused (Smith, 2008).

A total of 30% of the New Zealand companies don't even realize that they are facing recruitment and retention problems and only a few companies are putting strategies to reduce it to an extent. Another problem lies and runs deep that at times touches prejudice and racism.NZ is not using the existing talents that are there discriminating them on the basis of culture and ethnicity. Educated skilled Asians are wasting their potential by doing menial jobs and hence they are wasted in the pool of talents (magazine, 2000).

Based on the linked employer, employee data 17% of the population (i.e. 302,100 people) change jobs in 12 months or a lesser period. Qualified and skilled

employees are always in the lookout for more challenging and flexible work environment (magazine, 2000).

NZ talents migrate to different parts of the world in order to have a better style of living and also to earn more money. In this year alone 40,000 Kiwis have moved to Australia and hence a large bunch of talents are moving out to different parts of the world, hence making it hard to retain employees for a small amount of money.

Skill shortage is at its heights in the New Zealand economy, staff turnover is turning into major problems for major employers in this small market, which in turn is costing 1.5 times the annual salary of the replaced new worker. It costs more to hire and replace staff continuously and with every possible hire the wage increases without considerable increase in productivity. With every employee leaving the organization, the employee takes away valuable contacts and also business partners. It is said that it will get even worse in 2008 (Shubkin, 2008).

#### **4. Implications in the recruitment industry in regards to turnover and retention:**

##### **Causes of turnover in the recruitment industry: (Why employees leave?)**

Information about the causes of dis-satisfaction and turnover were got from interviewing employees of recruitment companies. Some of the causes of turnover mentioned by them are listed below

- Financial monetary benefits
- Training and development.
- Target pressure and mundane work
- Work life balance
- Unpleasant work atmosphere/relationship with manager's and team members/ Loss of trust and confidence in superiors:
- Work load
- Lack of Recognition/ Motivation/ Rewards
- Career prospects/ Personal growth

##### **4.1 Financial Monetary benefits:**

Monetary benefits have always been a major motivator in the recruitment industry. Recruitment Consultants are usually on a low base salary and commissions are based on successful candidates joining client organization. Since there are a number of vacant positions available for recruitment professionals, recruitment professionals with local market knowledge are sought after. Employees are not remunerated fairly in terms of the local market value. There prevails a big difference in the market value and also the present remuneration and hence consultants look out for better options outside the firm. The difference between a top performer and a under performer is not distinguished in terms of compensation (oscar, 2008). CAP

#### **4.2 Training and development:**

Some of the (graduate recruits) employees expressed their concerns, that proper training has not been given and they are put in the front line without being trained to handle the clients. New migrants and expatriate skilled workers with international market experience are also placed in a similar situation. Lack of experience makes it hard for employees to bring in business to the organization failing which, negativity towards the work and organization kicks in which leads to demotivation and stress. This often takes a toll on work life balance and general well-being of an individual. Entry-level professionals are expected to hit the ground running while they are left with a new industry and no time to learn skills (crae, 2008).

#### **4.3 Target pressure/ mundane work:**

Recruitment professional works towards achieving a given/agreed target. RC's act as a sales person selling people (Candidates) to clients while making money as commission. There seem to be a whole lot of compromises that are done by an employee in order to achieve the target that does not make a good working environment. This not only stresses RC's mentally but also emotionally. Commissions are based on successfully billing the target achieved and hence there is a certain level of compromise done on the client's requirement in order to achieve personal targets, sometimes it could also be letting the quality of work down. A very monotonous work focusing on targets stresses employees. Assigning high target for an entrant or for a new budding recruiter deters hatred towards work (Vijay, 2008). Recruitment Companies face huge voluntary as well as stress related turnover because recruiters who struggle to make it up to their targets by selling people doesn't survive

#### **4.3 Work /life balance:**

Long working hours, working on weekends, working through the lunch and spending very little time for oneself helps brings financial results but develops negativity towards the company during the course of time. Often through the end of the financial quarter, employees tend to work long hours and get stressed (Vijay, 2008).

#### **4.4 Unpleasant work atmosphere/Relationship with manager's and team members/ Loss of trust and confidence in superiors:**

Demanding bosses and peer members who are focused on their targets does not give space for team building or help in growing of an individual member in the system. Sometimes employees have been left feeling devalued and unappreciated for the work that has been done. Insulting employees with words (Based on revenue generation) in front of other co-workers brings down the morale of the consultants. An unpleasant situation that has been reported by employee to the management, which hasn't been solved, questions the importance of an employee (oscar, 2008).

#### **4.5 Work Load/many clients to handle:**

Management demands one person to do the job of one or more people resulting in longer days and working on the weekend in order to achieve the targets set by the employers. This not only kills the morale of the employees but also for the organization as such. By adding, the work of a colleague, who has gone on a

holiday or on a maternal leave for a longer period without hiring a temporary worker, sometimes pushes an employee to such an extent, where leaving the organization is the only way out. (Vijay, 2008).

#### **4.6 Lack of motivation/ Recognition/Rewards:**

Management promotes competition between peers members in terms of target and also tries to promote teamwork and cooperation. This makes employees to work in silos and employees are focused on their target that eventually brings in a feeling of loneliness at work place. Staff recognition and appreciation are often ignored (Vijay, 2008).

#### **4.7 Career prospects/personal growth:**

A highly productive employee always looks towards climbing up the ladder and growing along with the organization, when a career pathway is not established and growth prospects not visible, the employee starts to find them outside the organization. A budding employee would want to explore other his options in an organization and when his manager does not read his intentions then he tries to find the option outside the organization. Internal employees not considered for filling a vacant senior position (oscar, 2008).

## **5. Recommendations**

### **Effective retaining strategy (How to stop them from leaving?):**

Retaining staff is an art by itself. Being an industry where staff retention has been a major problem, there are a few areas where the recruitment industry has to change in order to retain staff from leaving the organization. Retention is finally about creating a nice place to work and hence its multi faced. There are a number of tactics an employer can use to retain staff (Price, 2007).

Some of the factors that would retain Consultants and also make it a better place for them to work as follow:

- Core Competency Approach
- Stay bonuses
- Paying Top Performer's
- Emphasizing on training and development
- Structured Retention Policies
- Recognition programs
- Delegating responsibilities
- Educating leader's on people Management
- Work place Social Support
- Career mentoring
- Friendly Social Support
- Promoting Work Life Balance
- Trust/Hope/Sense of Worth

**5.1 Core competency** approach will help find employees who are productive and have managerial capabilities. These employees are rated in a scale of 1-5 and depending upon it their retention programs are designed. This would help keep retain the skills in specific staff members.

**4.2 Stay bonuses** given after achieving financial quarter or for a task completed key contributors in an assignment and people whose skills are paid out of proposition in the market due to under supply of skills.

**4.3 Pay top performer's** 90 to 95% of the market standard and make it financially difficult for them to leave the organization (Toby, 2008).

**4.4 Investing in Training and development** can be a key retention driver. Training needn't be formal, it could be learning something that would help and fulfill the employee. Sending employees of different skills for a customized training would enrich employees with new skills and also would help them sharpen their field of expertise. Training new staff through mentoring or by assisting existing senior staff for a specific period of time until the person is fit to take on responsibilities in the organization. Since the industry is focused on targets and taking a medium target for starters and then slowly raising the target would help employees settle in the target driven environment in a much smoother way.

**4.5 Favor high performers:** Genuine high performers should be taken care with regards the productivity. The difference in remuneration should be there in order to satisfy a productive employee. They should be considered for higher positions, particular training, mentoring and also look at growing the person into the management system. Retention Plans need to be tailored to every individual depending upon his core competency having in mind his skills and competencies in the particular field.

Recognition programmes for employees who have achieved targets, recognition mails, a pat on the shoulder usually helps motivate employees to work focused. Achievement programmes, publically praising an employee who has achieved would help others to move and work towards achieving more. Recognition programmes can also be formal; a specific scheme is developed and communicated with prizes are given for excellent performance. Advising an employee or correcting an employee should be done within four walls and should be done professionally without leaving a scar. The person should be motivated not to do the mistake again.

**4.6 Delegate responsibilities** to a top performer and make him feel he's moving to the higher role and give him responsibilities. This would help gauge the skills in multitasking and would also motivate him. Every employee wants to grow in an organization and would always want to see whether he is being recognized for his work. Small delegation work will make him feel important in the organization. Prior arrangements to be made for employees who leave on long leave instead of having other colleagues take their responsibilities.

**4.7 Leadership** is one of the main driver's of retention. First level managers should be well trained in the art of people management. Training these people effectively would enable retention of junior employees which is one of the common reason for people to leave jobs relate to relationships with their boss and immediate colleagues.

**4.8 Work place Social support:** Workplace support is defined as actions of other's that are helpful and or intended to be helpful. Studies show that work place support may include mentoring of an individual, providing emotional support, assisting others with a particular task and also teaching about the social structures in an

organization. (J. Irene Harris, 2007) This intern helps and motivates the employee and also contributes Job satisfaction. The source of support may be supervisor, mentor or a colleague and the content of the support may include information concerning the person's appraisal, assistance with tasks or even emotional support (J. Irene Harris, 2007)

**4.9 Career mentoring:** It's more of a parent like support or advisor relationship with another individual who has been in the organizational system for more time and also with more experience. (J. Irene Harris, 2007). Promoting the organization as a talent developer and also educating employees on their prospects for internal growth and progress within the organization. Taking examples of employees who have climbed the ladder internally would motivate employees to look forward for growing within.

**4.10 Friendly social support:** It includes sharing friendship, personal problems and also confidences. Support from colleagues and manager's not only helps in building rapport but also gives high level of Job satisfaction along with success at work , openings for managerial position and income. A successful and satisfied employee tends to stick on with an organization for a longer period, irrespective of the market conditions. (J. Irene Harris, 2007)

**4.11 Promoting work/life balance** is an effective motivator. The success in work/life balance would be how efficient we work around it. Tele working, working from residence, glide time (enabling staff to miss the peak hour traffic), childcare, elder care arrangements and working around different groups of people and customizing work according to their needs would enable the employee to have a good bond with the employer. This would enable high productivity reduced absenteeism and also better customer care ratings raise the level of job satisfaction (Price, 2007). Flexible working hour is a greater driver than money.

**4.12 Trust/Hope/Sense of Worth:**

The issue presented here has been presented in the literature in the context of physicians but this can be applied in New Zealand work places.. Expecting the employer to be, honest in all the communication and treat staff fairly in terms of remuneration in an appropriate time. Showing an employee the prospects to grow internally in the organization. Recognizing the time and effort the employee has put in for a particular task that has turned against (Peter Valenzuela, 2007).

**4.13 Fun/Team events:**

Fun in the job means different to different people. It may be learning a new skill at work, or taking up a new assignment, sharing a comment with colleagues or something that will take away a stress and long faces at work. Regular team outings and team building activities would enable stronger bond with members in the organization.

## **5. Conclusions**

It is a given that the turnover is a key issue in the Recruitment industry, by deploying the recommended suggestions, RC's can be retained considerably and turnover reduced. However, we do understand that it's not possible to implement all of these suggestions at one go but starting on working towards them would considerably reduce turnover of high performing RC's.

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