Final report

Project code: **B.NBP.0370**

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Date published: **December 2008**

ISBN: **9 781 741 913 057**

PUBLISHED BY
Meat & Livestock Australia Limited
Locked Bag 991
NORTH SYDNEY NSW 2059

Attracting and retaining staff in Australia's beef, sheep and pastoral wool industries

Abstract

This report examines the issues of attracting and retaining skilled rural labour for the pastoral livestock industries – that is, Northern Beef, Southern Beef, Pastoral Wool and Lamb and Sheep meat. Based on a large scale survey of employers (owners and managers) and employees, this study provides empirical evidence about the attractors, motivators and demotivators to employee choice about working in the pastoral livestock industries and place of work and estimates the economic implications. Based on the study's finding, the report outlines options for addressing the challenges of attraction and retention at both the industry and farm levels.

Executive Summary

Attraction and retention of staff in the Australian pastoral livestock industries – the beef, sheep and pastoral wool producers – has not been favoured by changes in the external environment. Macroeconomic conditions have led to a tight labour market and general staff shortages. While there is much attention upon the role of mining in soaking up labour the large and sustained expansion of the services sector is an additional, more fundamental shift in the labour market. On the supply side, population growth is slowing. At the same time, the aging of the workforce poses general issues and is a particular threat to the sustainability of the pastoral livestock industries.

As a labour intensive industry, winning the war for labour is essential to the sustainability of the pastoral livestock industry.

Meat and Livestock Australia (MLA) and Australian Wool Innovation (AWI) commissioned this study as a response to the current gaps in both the understanding and solutions to the problems of securing a skilled and stable labour force. This study is the first in Australia to consider the problems of attraction and retention from *both* the employer and employee perspectives.

The study identifies the drivers of attraction and retention (that is employee engagement) for each of the pastoral livestock industries (Northern Beef, Southern Beef, Pastoral Wool and Lamb and Sheep meat). At the industry level, it examines whether retention is a farm level issue or an industry level issue. The study also specifically explores whether the mining industry acts as a major competitor for labour. In addition to identifying drivers, the study draws on survey results to estimate the size of the problem. The study estimates the size of the labour shortage and the extent to which employee turnover is a problem. These estimates consider each of the sub sectors, as well as the industries as a whole. The report concludes with recommendations for both the industry and farm levels.

Labour market pressures

The pastoral livestock industries can expect to continue to face competition in labour markets. Service-oriented sectors, which are labour intensive, are projected to have continued strong growth. Growth in other sectors, such as mining and construction, is expected to slow in the next few years. After which, they are expected to follow output patterns that are similar to agricultural sectors.

At the same time, near to medium term projections highlight that the supply of labour is slowing in Australia. Not only are fertility rates low, but the current population is ageing. Agriculture and pastoral livestock industries in particular, are especially exposed to this problem.

Size of the problem with attraction and retention

The survey provides an indication of the size of the problem facing the pastoral livestock industries with regard to attracting and retaining labour. The results indicate that attraction and retention are equal challenges across the industry at large. Forty per cent of responding farms report labour shortages. Of the responding farms 42 per cent reported turnover of full time employees in the last twelve months. It is estimated that the industry suffers from an implied turnover rate of between 11 to 12 per cent based on survey responses. How does this compare with other industries?

Labour shortages and turnover impose significant economic costs to farms and the industry at large.

- The average cost of labour shortages at the farm level ranges from $22 500 to $112 500 depending on farm size. The average cost for the industry at large is between $134 million and $627 million each year.
- The average cost of turnover for a farm is around $33 500 per employee. The average industry-wide cost of turnover is between $336 million and $364 million.

The Workplace Survey 2007 results indicate that employer respondent's view that increasing salaries is an effective retention strategy. Employee responses however suggest that the impact of pay and conditions is mixed.

It is important to note that chi-square tests indicate significant statistical differences between small, medium and large enterprises, especially in the age profile of the workforce and the way work hours are structured. Accordingly some unique challenges have been identified for the different size enterprises resulting in different attraction and retention strategies. These are.

- The key challenge for large enterprises is to engage a younger workforce profile
- The key challenge for medium enterprises is to avoid burning out employees
- The key challenge for small farms is the ageing workforce and too many work hours

The different attraction and retention strategies will be highlighted in detail in the case studies. These differences are more significant than those for the industry sub-sectors.

At an industry level there is little evidence that farms that pay more or provide more additional benefits such as housing, improve outcomes against the various indicators of attraction and retention included in the survey. A simple, strong clear cut relationship is not evident.

Even when allowing for a fuller range of factors together, differences in pay and other benefits do not appear to be related to differences in attraction and retention indicators at the industry wide level. The factors that appear to be more significant at the industry wide level relate to staff engagement and other variables.

It seems that appreciation of effective approaches to the challenges of staff attraction and retention are likely to be found by examining the interplay of economic and psychological factors at the personal level.

Engaging employees – motivators and demotivators

Financial security, stability and predictability are key motivators, and a high level of future uncertainty will impact on retention. Pay, by itself, is not sufficient to provide financial security where individuals are working in an uncertain environment.

People who work in the pastoral livestock industry are mainly from a farming background, value the lifestyle and want to work outdoors and with animals. These attractors are so strongly innate that it is unlikely to expect that a large proportion of employees would be attracted to the mining industry with its sharply contrasting work environment and lifestyle. Consistent with this finding, only 3.3 per cent of current employees are considering moving to mining in the next five years.

The Workforce Survey findings highlight that the pastoral livestock industries have highly engaged employees. In other words, employers are meeting employees' most important expectations to a high degree. At the same time, retention at the enterprise level is a key challenge, and employers have an important role to play in retaining staff.

Key reasons for leaving an employer are lack of future certainty, poor leadership and lack of communication, as well as uncompetitive wages and better career opportunities elsewhere. Natural tension exists regarding future certainty.
Pastoral livestock industries are inherent uncertain. They face threats and challenges from a range of external factors (such as drought, commodity prices) which requires them to be highly adaptable. This uncertainty at the industry and at the farm level creates retention issues for employers. Pay becomes an issue for employees when they are uncertain about their future or feel they are not valued or appreciated.

Recommendations at the industry level

1. Improve the image of pastoral livestock industry to promote the lifestyle benefits, working outdoors and with animals, community orientation, job variety, career paths (medium and large enterprises), autonomy/independence (small farms), current high levels of job satisfaction and highly engaged workforce.

2. Provide a skills portfolio approach that is portable for employees to use as they move from farm to farm. Continue with short-term offsite personal development opportunities to improve interpersonal skills and management practices.

3. Conduct an industry review of remuneration in the pastoral livestock industry including best practice approaches. Attract younger employees to small and medium enterprises to counteract the ageing workforce promoting the benefits of job variety, autonomy on small farms and career opportunities, reputation, quality of the operation for medium and large enterprises.

Recommendations at the farm level

1. Communicate more effectively the competitive remuneration packages (cash and non-cash), work-life balance, flexible hours and the team / family / community atmosphere at work.

2. Enhance the sense of well-being and teamwork in the workplace through building social connectedness and cohesion amongst employees at work and in the community and honour traditions. Develop a 'keep in touch' approach in large enterprises to keep in contact with employees who leave (via newsletter); this may encourage them to return in the future.

3. Financial security and future certainty. In the short-term, ensure fairness and consistency in remuneration packages (cash and non-cash) both on the farm for similar roles and for the industry.

4. Leadership and communication – adopt a transformational leadership style especially for Gen Y and Gen X, one that is inclusive and collaborative, and involves providing a clear vision, listening to employees encouraging their ideas and involving them in decision-making. Provide employees with regular concrete and specific information about their performance, farm performance and industry developments etc.

5. Performance feedback and recognition – ensure all staff have a clear understanding of the expectations of their role.

6. Promote the enterprise's reputation to build pride amongst employees and to attract new staff.

7. Job satisfaction and engagement – conduct a skills audit to identify all the skills that employees have; ensure employees continue to use their skills and abilities and encourage multi-skilling; address inefficiencies in the workplace that absorb valuable time; monitor employee engagement regularly and involve employees in addressing issues raised.

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1 Context and objectives

1.1 Purpose of this report

Australian labour dynamics are changing in response to a number of factors, including new social trends. Many rural-based economic sectors and activities are adjusting to greater competition for skilled labour and the increased migration of people to urban centres.

The consequence of these dynamics is that rural industries – in particular, beef, meat sheep and pastoral wool – are facing increasing challenges to attracting and retaining skilled labour. The importance of addressing the challenges to protect the sustainability of these industries is highlighted in numerous documents. Challenges of inadequate and unstable labour supply impose costs on the industry through lower productivity and higher input costs. All of which also erode the industry's competitiveness.

While these challenges are acknowledged, the exact size of the problem and its costs are not well understood, nor are the solutions readily evident. Anecdotally, the pastoral livestock industries (that is, beef, meat sheep and pastoral wool) report they are losing the war for labour. They claim other industries, such as mining, are attracting large shares of the labour supply through higher wages and better employment conditions.

The pastoral industries need grounded, pragmatic, evidence-based solutions that are appropriate and cost-effective. Formulating such responses requires an understanding of these trends that drills down from the macro-perspective to the farm and individual level.

1.2 Objectives

In response to the current gaps in both understanding and solutions, Meat and Livestock Australia (MLA) and Australian Wool Innovation (AWI) have commissioned the Centre for International Economics (CIE) and The Ryder Self Group (Ryder) to undertake a study that examines the motivating factors that influence staff to enter, remain or exit employment in the pastoral livestock industries.

Specifically, the study's objectives are to:

1. Identify the factors (tangible and intangible) motivating and influencing employees to join, remain in, or leave individual employers in each of the Australian beef, sheep and Pastoral Wool industries, including identifying the extent to which the mining industry acts as a major competitor for labour;

2. Quantify the economic costs associated with skilled labour shortages (industry and farm-level) and high staff turn-over (farm-level);

3. Provide three farm-level case studies that illustrate best-practice examples of critical elements of attracting and retaining staff; and

4. Develop recommendations and strategies to assist employers attract and retain labour in each of the pastoral livestock industries (that is, Northern Beef, Southern Beef, Pastoral Wool and Lamb and Sheep meat), as well as the industries as a whole. These recommendations should address the industry level and farm level.

To achieve the outlined objectives, the study brings together two disciplines – economics and employee engagement.

1.3 Approach to the study

The study's methodology centred around collecting primary data through an in-depth, large scale survey. The survey captured data and insights from employers, managers and employees, thus filling a vital gap in the current literature and understanding.

To implement the study, the research team conducted the following steps. First, the team reviewed the literature to ascertain the current state of understanding from an empirical and theoretical perspective. Key topics included:

- theory of attraction and retention from the economic literature;
- current best practice and paradigms regarding attraction and retention;
- review of available studies examining the challenges of attraction and retention in agricultural industries; and
- available statistics and indicators of the pastoral livestock industries, such as number of enterprises, enterprise scale, labour requirements, etc.

To complement the literature review, the research team then conducted a series of qualitative interviews to better understand the issues around attraction and retention. These qualitative interviews involved both employers and employees from all sub sectors (Northern Beef, Southern Beef, Pastoral Wool and Sheep meat).

These steps fed into the development of a survey. The survey research involved designing the Workforce Survey with different sections relevant to owners, managers and employees. The survey was comprehensive, covering all sub sectors as well as both employers and employees. Details about the Workforce Survey are provided in various parts and attachments to this report.

The consultancy team analysed the survey results to understand issues of attraction and retention from two perspectives, from a 'people' perspective and from an economic or industry wide perspective.

2 The drivers of labour shortages

Pastoral industries draw their staff from the pool of labour in the overall labour market. It is also increasingly clear that pastoral industry employees have the option of pursuing jobs in other industries — the booming mining sector is often singled out as a key alternative at the moment.

Understanding the Australian labour market provides context and insight into the scope of the dynamics influencing labour decisions. The objective of this chapter is to review key aspects of Australia's labour market, including the issues affecting labour supply and demand in agricultural activities including the pastoral industries. The chapter seeks to ensure that the broader factors that are raising challenges to the attraction and retention of staff in Australia's beef, sheep and pastoral wool have been identified.

2.1 Drivers shaping the demand for labour

Key factors that influence the demand for labour include the following:

- general economic conditions;
- structural change;
- labour productivity;
- drought; and
- mechanisation.

Each of these factors is now explained in more detail.

2.1.1 General economic conditions

Australia has had sustained uninterrupted economic growth for more than 15 years — the longest expansionary phase on record.

This expansion has been sufficient to absorb growth in the workforce as well as reduce unemployment. The demand for labour has been sustained to the point that unemployment fell to 4.2 per cent (June 2008)[1] the lowest level in 30 years. The difficulties in finding labour have led industry and government to talk about a 'skills shortage'. In fact, there is a general shortage of labour.

Some parts of Australia have tighter labour market conditions than others. Unemployment in Queensland and Western Australia has fallen to around [3] per cent. This is probably below the level that economists view as frictional unemployment (the amount that is difficult to remove reflecting people changing jobs) and has been achieved by these states absorbing labour from the other states.

At the time of writing (June 2008) the outlook has become harder to read. Slower global growth, tighter credit conditions and higher interest rates have slowed Australia's economic growth. Indeed, the RBA forecasts GDP to slow from the rate of 3.9 per cent seen over the year to

1 Seasonally adjusted.

December quarter 2007 to around 2.25 per cent over 2008, before rising somewhat to 2.5 per cent over 2009 and 2.75 per cent over 2010.[2]

Reflecting the expected deceleration, annual growth in employment is expected to slow and the unemployment rate will increase somewhat. In particular, the 2008-09 Budget forecasts the unemployment rate to increase from 4.2 per cent in April 2008 to 4.75 per cent by the June quarter 2009. In terms of Australia's experience, these forecasts suggest that conditions in the labour market will remain 'tight'. This is, it will continue to be hard to find staff even as the pace of economic activity moderates.

2.1.2 Structural change

The demand for labour is also linked to changes in mix of economic activity in the economy. Generally, growth in more labour intensive industries will have a greater effect on raising aggregate employment than growth in more capital intensive industries. Table 2.1 shows that this is much the case for Australia during the period from 1993 to 2007. As shown, property and business services (a labour intensive industry) exhibits the highest average growth rate, and it is in this industry where employment growth has been the strongest over many years.

Table 2.1 **Change in industry gross value added and industry employment[a]**

	Industry gross value added		***Industry employment***	
	Value ($bn)	CAGR 93-07 (%)[d]	Jobs ('000)	CAGR 93-07 (%)[d]
Property and business services (b)	127	8.3	1 236	5.1
Manufacturing	107	4.3	1 062	-0.2
Finance and insurance	76	8.5	397	1.6
Mining	75	9.7	136	3.3
Construction	71	8.4	935	4.1
Health and community services	61	6.8	1 078	3.2
Retail trade	57	5.5	1 496	2.2
Transport and storage	50	6.0	472	2.0
Wholesale trade	48	5.8	467	-0.3
Education	44	5.7	719	1.9
Government administration and defence	41	6.1	487	2.0
Communication services	24	4.5	186	3.0
Agriculture, forestry and fishing	22	2.9	358	-0.9
Electricity, gas and water supply	22	3.1	85	-1.0
Accommodation, cafes and restaurants	21	6.9	505	2.9
Personal and other services	18	5.8	398	2.2
Cultural and recreational services	15	7.4	282	4.4
Total	880	6.4	10 298	2.2

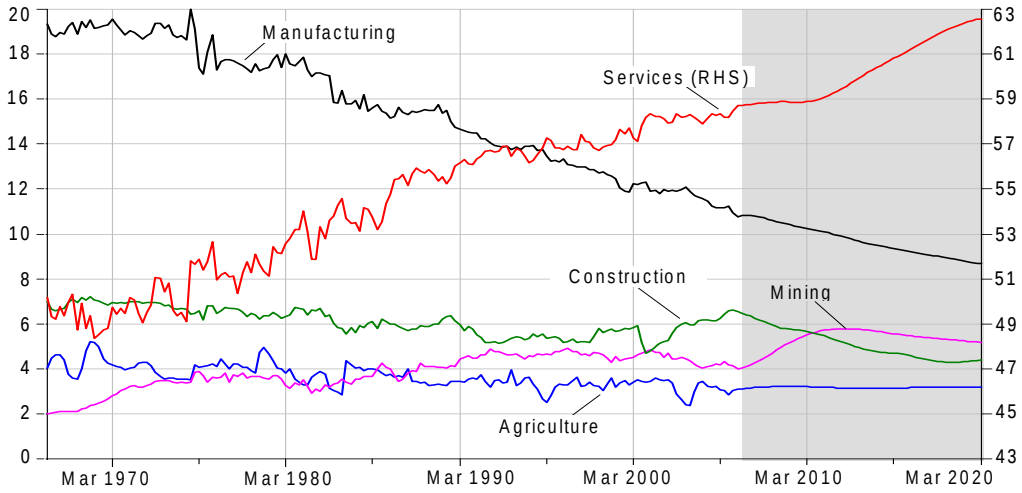
a Gross value added at current prices by ABS ANZSIC classifications. **b** Excludes ownership of dwellings; **c** Includes ownership of dwellings, which is not shown in the table. **d** Compound Average Growth Rate (CAGR) over the period 1993 to 2007.

Source: CIE estimate from ABS Labour Force trend data (Catalogue No. 5204.0).

A key insight is that it is labour intensive service industries that have grown the most and are absorbing more employees over time. This is more apparent from Chart 2.2 which shows that the share of overall activity (or GDP) provided by the services industries has increased steadily and is expected to rise well into the future.

2 RBA 2008, Statement of Monetary Policy, 9 May.

Chart 2.2 **Industry shares of production (value-added at constant prices)**



Data sources: ABS Cat. No. 5206.0 and CIE AUSM projections.

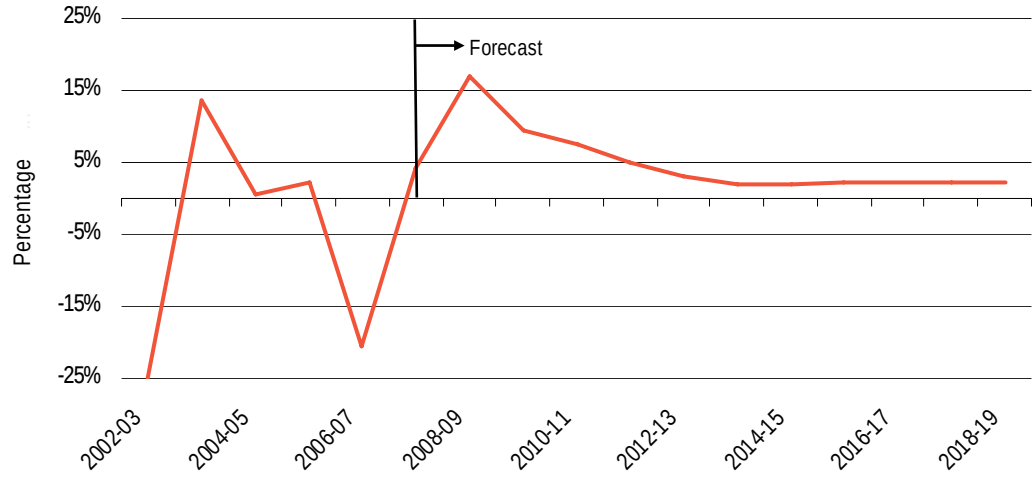
Mining, a very capital intensive industry, also exhibits growth. This is mostly due to the boom in global demand especially from China and India. The share of activity accounted for by this sector is expected to peak and then subside in the longer term. A key question this study intends to examine is the extent to which demand for labour in the mining industry raises problems in attracting and retaining staff in the pastoral industries.

Looking at agriculture in general, output is volatile — reflecting vulnerability to changes in environmental circumstances cyclones, floods and drought. The impacts of the most recent severe and sustained drought are discussed separately in a sub-section that follows. The overall pattern, however, has been that agriculture has been a trend decline in agriculture's a share of total output over recent decades.

The share of total employment retained in agricultural has also declined over time. Table 2.1 reports that employment in agriculture fell over the period 1993 to 2007, with an average reduction of 0.9 per cent per annum. A notable feature of this trend is the number of full-time employees that have left the industry. The annualised rate of decline in full-time agricultural employment was 4.4 per cent between 1999-2000 and 2004-05, compared with an annualised rate of decline in part-time employment of 1.7 per cent over the same period.

In terms of the future outlook for the agriculture industry, based on ABARE's expectation of more favourable weather conditions, the CIE's macroeconomic model (AUSM) projects the agriculture output to grow in the next few years (Chart 2.3). Assuming now significant changes in production systems, this growth in output will lead to an increase in the demand for labour in the sector.

Chart 2.3 **Agriculture Gross Product projections (at Basic Prices)**



Data source: CIE AUSM projections.

2.1.3 Drought

Drought has had a substantial impact on agricultural output, leading to sharp periodic declines in the level of employment in the industry. The 2002-03 drought had the most significant impact on employment of any drought since the 1960s. This drought is reported to have caused the loss of around 70 000 jobs to the agricultural sector, a decline of around 15 per cent (PC, 2005). The beef, sheep and grain industries accounted for the majority of the decline, shedding around one third of employees from their collective employment (Lu and Hedley, 2004).[3] To put the employment effect of the 2002-03 drought in perspective, there were around 6 000 jobs lost (a decline of around 1 per cent) due to the droughts in 1982-83 and 1994-95.

Perhaps surprisingly, the drought in 2002-03 did not lead to a reduction in the average number of employees per agribusiness enterprise (Lu and Hedley, 2004). This suggests that the drought had a greater impact on smaller employers in particular, with larger firms better able to cope with the drought and in the process, retain their employees.

Typically, following a drought, employment responds when output improves. However, the effects of the drought in 2002-03 on employment in the agricultural industry appear to have lingered. The industry's output bounced back in 2003-04, but employment did not and employment reached its lowest level in more than 20 years at that time.

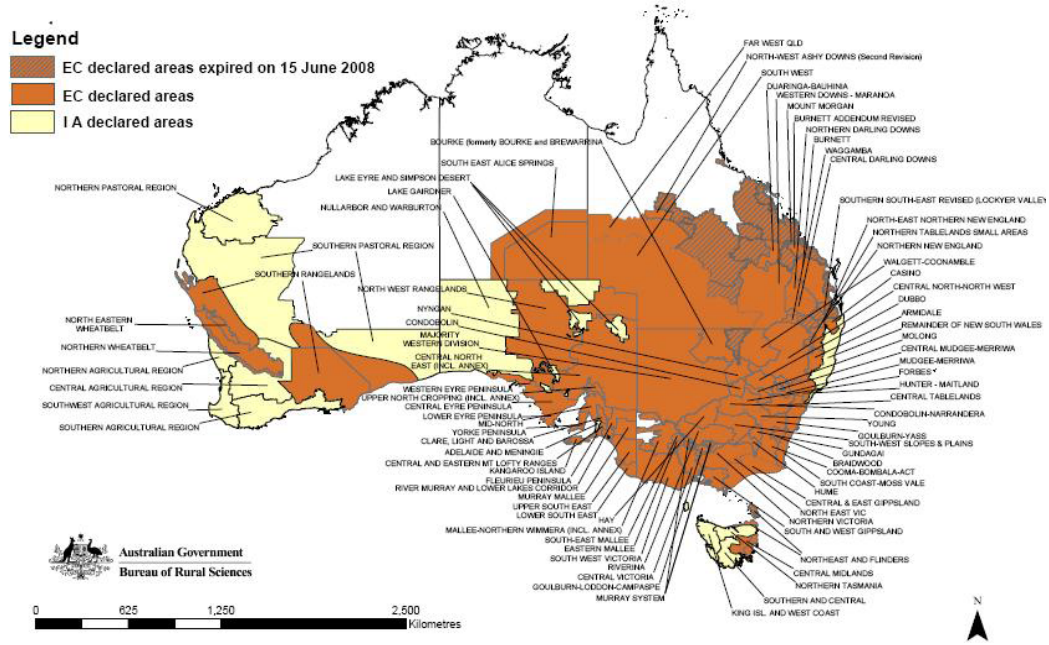
Despite some pockets of rainfall, the Bureau of Meteorology's current drought assessment suggests that conditions in Australia are still severe. A substantial portion of the Australian continent was still viewed as facing Exceptional Circumstances (EC) in June 2008. These areas include Australia's most productive regions for pastoral livestock activities (Chart 2.4). If these conditions were to continue, they will have a negative impact on employment in the beef, sheepmeat and wool industries.

Drought can not only hamper employment prospects in the industry, but also deter prospective employees from entering the industry and discourage existing employees from staying in the

3 Lu, L. and Hedley, D. (2004), 'The impact of the 2002-03 drought on the economy and agricultural employment', *Economic Roundup*, Australian Treasury, Autumn.

industry. Indeed, drought may remain as the most serious external threat to attracting and retaining employees in the beef, sheepmeat and wool industries.

Chart 2.4 **Exceptional Circumstances (EC) and Interim Assistance Boundaries**



Data source: http://www.dairyaustralia.com.au/index.php?option=com_content&task=view&id=326.

2.1.4 Mechanisation and technological change

Reflecting challenges in the environment and sustained intense competition agriculture is characterised by sustained technological change. This is often apparent in terms of mechanisation, but is also reflected in many on-farm investments that deepen the productive or capital base.

Mechanisation and other investments can have a variety of different effects on labour depending on the forces leading to this mechanisation. Some of the different effects of mechanisation are summarised in Table 2.5.

Table 2.5 **Direct and indirect effects of agricultural mechanisation**

Forces leading to mechanisation	***Immediate consequence***	***Indirect effect on output***	***Indirect effect on employment***
Land available	Labour used on larger areas, production costs drop	Expands: more quickly the more elastic is final demand	Expands: if demand is elastic, stagnates or falls if demand is inelastic
Wage rising in response to non-agricultural labour demand	Production costs rise less than in absence of mechanisation	Falls: but by less than in absence of mechanisation	Falls
Un-mechanised technique unprofitable	A new method of production becomes profitable	Expands: more quickly the more elastic is final demand	Expands: more quickly the more elastic is final demand
Subsidies on capital energy	Production costs may drop modestly or stay constant	Small expansion at best	Falls: sometimes sharply

Source: Binswager (1986).

Although the effect of mechanisation on labour varies from country to country, a trend resulting from mechanisation that appears to have been uniform is the trend for larger farm sizes. Larger farms offer more collateral, which makes it easier to borrow and invest in new technologies. There are also significant economies of scale for larger farms and research has shown that larger farms have adopted new technology considerable faster than smaller farms. The use of machinery in smaller farms has depended largely on the development of a rental market where smaller farms can borrow the machinery required.

2.2 Major factors shaping the supply of labour

The other side of the labour market is the supply of labour. Key factors that shape the supply of labour include the following:

- changes in population growth;
- labour force participation;
- population ageing;
- education and training; and
- urban migration.

Each of these factors is now explained in more detail.

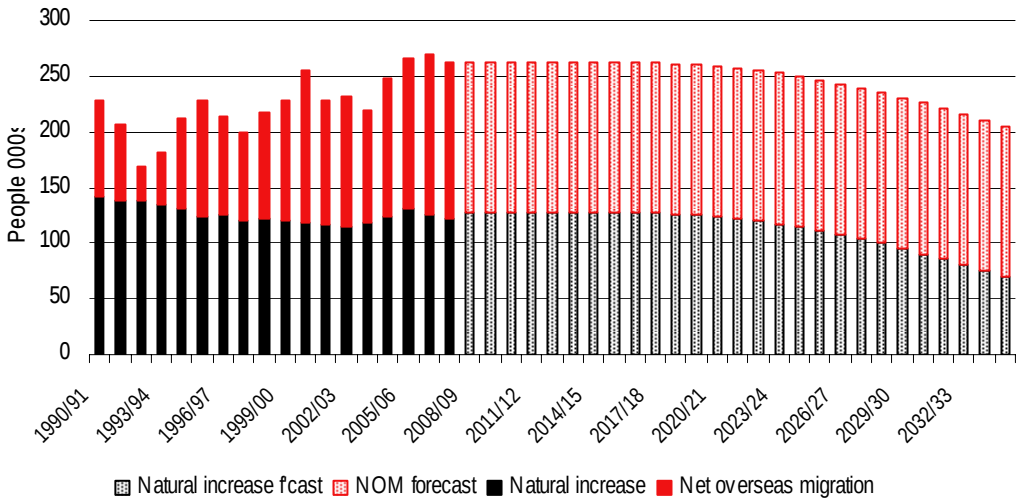
2.2.1 The decline in Australia's population growth

The Australian government's most recent intergenerational report (2007) prepared by the Treasury highlights significant challenges with respect to population growth. The fertility rate in Australia has been declining for the last three decades and this trend is projected to continue into the future. Indeed, the fertility rate has been below the replacement rate required to keep the population stable and thus, population growth is set to slow markedly. Migration has offset the natural slowdown in population growth, although this has not been enough to offset the natural decline.

Actual figures for annual population growth and projections for coming decades are reported in Chart 2.6.

Essentially the number of additional people resident in Australia is expected to stop growing, level out and then decline into the future. The population will still grow, but not by as much as it has in the past. It is expected that Australia will become more dependent upon immigration to maintain growth in the population into the medium to longer term. This reflects factors that are already well entrenched and difficult to change.

Chart 2.6 **Net population growth per annum: actual and projections**



Data source: ABS (2006) *Population Projections, Australia, 2004 to 2101*, series B population projections.

2.2.2 Labour force constraints

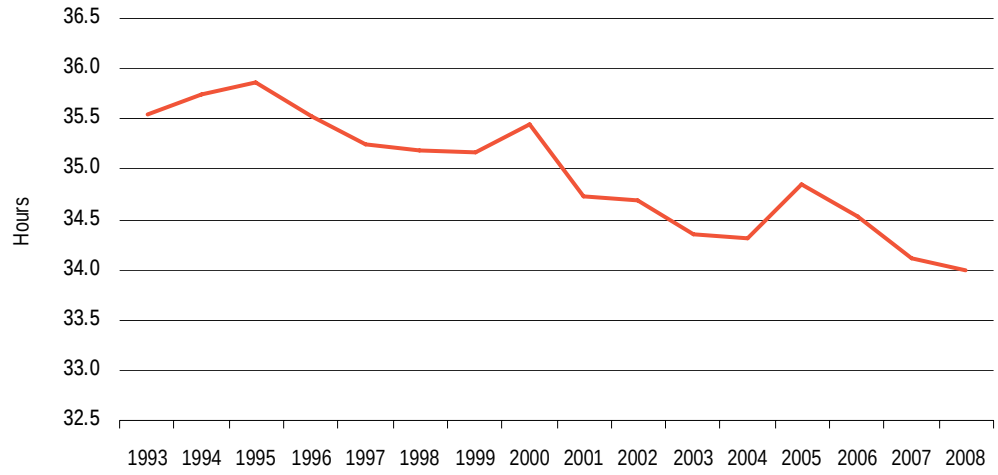
The labour force[4] is being shaped by three main factors noted below.

- Size — Over the last ten years, Australia's labour force has grown at a steady average annual rate of 1.7 per cent. However, reflecting long term downtrend in population growth and aging, the labour force is expected to grow at a slower rate in the medium to longer term (Chart 2.6).
- Participation rates — Over the last ten years, the Australian labour force participation rate has risen from 63.4 per cent in 1996-97 to 65.4 per cent at March 2008. This has been driven by population growth over the last ten years, which has averaged 1.3 per cent annually, and even stronger labour force growth which has averaged 1.7 per cent annually. Over the next ten years, the participation rate is forecast to decline to 63.2 per cent in 2017-18. This is because, although there will be an increase in the proportion of working age people engaged in the workforce and an increase in the hours worked, this will not be enough to offset the decline in population growth.
- Labour utilisation — As shown in Chart 2.7 there has been a general downward trend in average weekly hours worked by employees over recent years.

The overall effect of these factors has been to constrain the numbers of people available for employment in all industries as well as pastoral activities and agriculture in general. Growth in the workforce is not keeping pace with the underlying needs of the economy. This has contributed to a tight labour market at the moment and will continue to apply constraints in the future.

4 The labour force constitutes all persons employed and unemployed (actively seeking employment) in the population aged 15 years and over.

Chart 2.7 **Average weekly hours worked**



Data source: Labour Force Australia, ABS (catalogue No. 6291.0.55.001).

2.2.3 Ageing

As mentioned before, the ageing of the population is an economy-wide issue that will have a negative impact on the size of the labour force. Indeed, the Australian Treasury projects that the ageing workforce will lead to lower labour force growth and consequently, slower economic growth.[5]

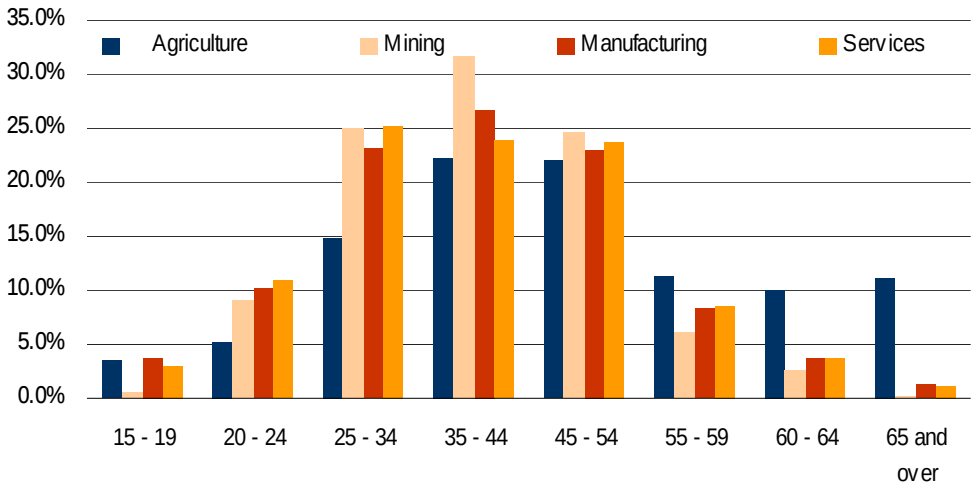
The agriculture sector has an older workforce than any other Australian industry. The median age of farmers increased from 48 to 50 years between 1996 and 2001.[6] Chart 2.8 highlights the ageing agricultural labour force. Particularly, noteworthy is the 32.4 per cent of the agricultural labour force aged 55 or over, compared with 13.2 per cent for the services industry. The ageing labour force is a more significant issue in the beef and sheep industries. For example, almost half the labour force in the beef industry is aged 55 years or older (PC 2005).

Chart 2.9 provides further details about the median age in specific agricultural sectors. As shown in this chart, the grain, sheep and beef cattle farming has the highest median age of 51 years, followed by other crop growing (50 years) and other livestock farming (48 years).

5 Australian Treasury 2002, *Intergenerational report 2002-03*, Budget paper no. 5.

6 Barr, N. 2004, *The micro-dynamics of change in Australian agriculture: 1976-2001*, Australian Bureau of Statistics (ABS), Cat. no. 2055.0.

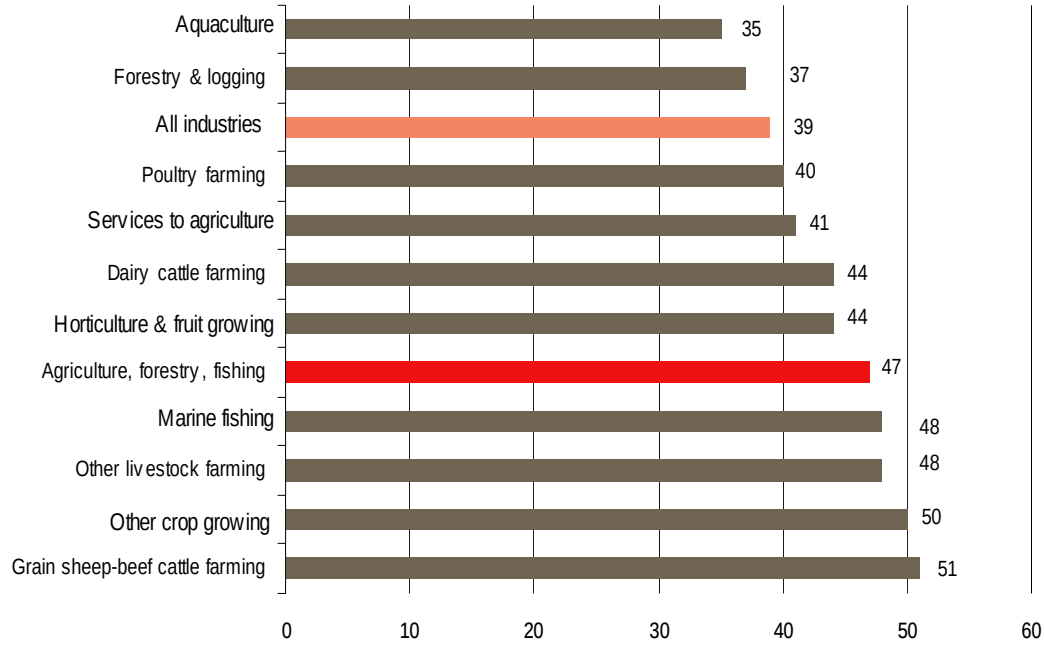
Chart 2.8 **Age profile of the labour force (2006)[a]**



[a] Note agriculture does not include employees engaged in Fisheries and Forestry. The Services sector comprises 'Electricity, gas and water supply', 'construction', 'wholesale trade', 'retail trade', 'accommodation, cafes and restaurants', 'transport and storage', 'communication services', 'finance and insurance', 'property and business services', 'government administration and defence', 'education', 'health and community services', 'cultural and recreational services' and 'personal and other services'.

Data source: ABS 2006, *Labour force, Australia, Detailed, Quarterly, Aug 2006*, Cat no. 6291.0.55.003, Canberra.

Chart 2.9 **Median age in agricultural sectors, 2006**



Data source: ABS Labour Force Survey.

Notably, the Productivity Commission[7] observed three main factors that contributed to the skewed age profile of workers in the agriculture sector:

- fewer young people entering farming;

7 Productivity Commission 2005, *Trends in Australian agriculture*, Research paper, Canberra.

- low exit rates at traditional retirement age; and
- delayed exit decisions in response to reduced farm capital during poor seasons or reduced market values during periods of low commodity prices.

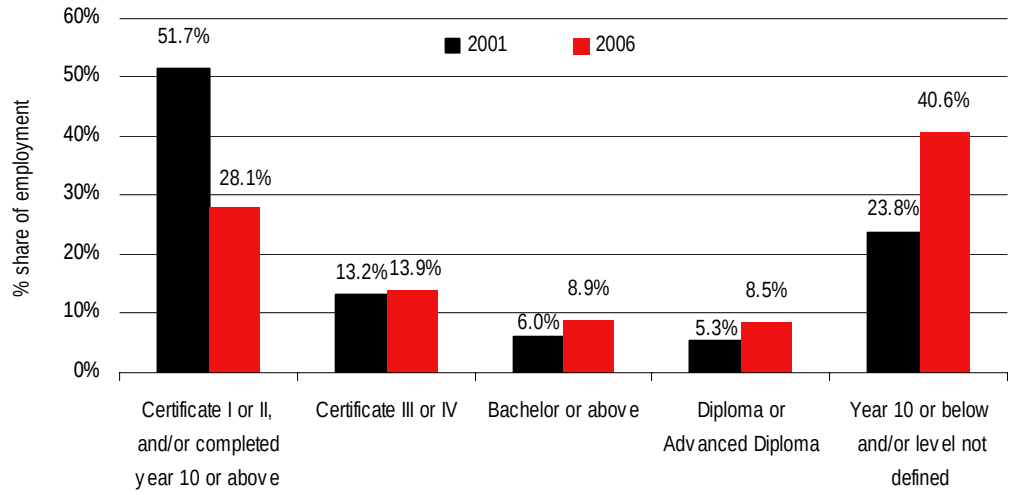
The continued economic sustainability of agriculture probably relies upon attracting the next generation of farmers, managers and skilled employees in the next few years so that there is a reasonable hand over period to transfer knowledge and skills held by current generations. The marked age difference between the incumbents and the likely age of new farmers and staff may have an impact upon the industry's ability to attract and retain staff. This facet of the industry should be examined in this study.

2.2.4 Education and training

The supply of numbers of people with the skills and training that are appropriate for employment in the agricultural industries appears to be changing.

Information about the educational profile of workers in the agriculture sector in 2001 and 2006 is shown in Chart 2.10. As shown, 51.7 per cent of workers had a Certificate I or II, and/or had completed year 10 or above in 2001. In 2006 the percentage of agricultural workers in the same category decreased to 35.1 per cent. Further, the proportion of workers in the industry that only have an education attainment of year 10 or below (or with an undefined level of education) increased from 2.8 per cent in 2001 to 40.6 per cent in 2006.

Chart 2.10 **Education attainment in the agriculture sector**



Data source: BTRE Education, Skills and Qualifications Database and ABS Education and Work (Catalogue no. 6227.0).

There are many possible factors that may have shaped this change. The changes brought about by the drought over the same period are a prime possibility. This may have led to many people leaving the industry, creating skills shortages in some areas, and the potential for even greater skills shortages over coming years. A way of analysing this is to study the educational attainment of the people employed in the industry over the years. It will also be valuable to assess if attitudes to existing skills and the acquisition of skills are a factor in shaping attraction and retention of staff.

2.2.5 Urban migration

Two key patterns have emerged in internal migration in Australia over recent times. The first was an observed shift in the population from rural to urban areas. The second has been somewhat a reversal of the first trend as there has been an observed trend for internal migration out of metropolitan areas toward coastal towns.

The second phase of migration known as the population 'turnaround' or 'counterurbanisation' has come about as a result of the structural change in the Australian economy which has led to a growth in the services industry less tied to major cities. There have also been improvements in transport and communication. These factors have led to the development of a leisure society which has encouraged lifestyle choice towards coastal areas and away from major urban centres.

However, both these population trends have been accompanied by a shift away from rural areas. An estimated 40 per cent of the Australian population resided in rural areas in 1920. This share declined slowly until 1950 after which has began to decline very rapidly to reach an estimated 20 per cent in the 1970s. This share has since stabilised. The metropolitan population has seen strong growth starting from an estimated share of 40 per cent of the population in 1920s to reach 70 per cent in 1970 before beginning to decline.

Current data shows that three quarters of the Australian population (15.1 million people) now live in urban areas.

Geographical isolation and younger generations leaving regional areas in favour of cities are two major barriers that are often raised in discussions about the challenges in attracting and retaining labour in the agriculture sector.

2.3 Imbalances in the labour market

Evidence of a labour shortage in Australia and the agriculture industry can be found by examining movements in a range of labour market indicators, including the growth in demand for labour (i.e. employment), movements in wages and the number of vacancies. Currently, many of these indicators are at record levels – following the sustained period of growth in the Australian economy- indicating that the demand for labour may be exceeding supply.

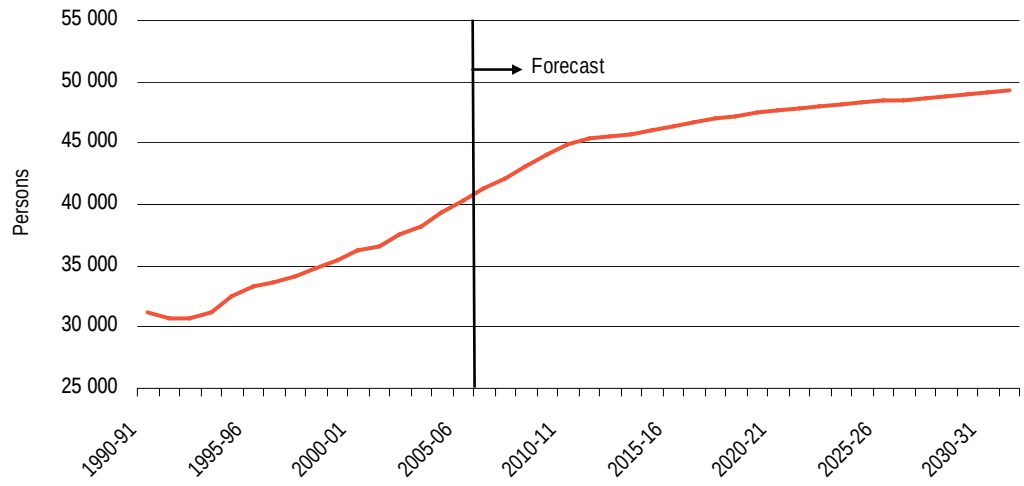
This section discusses three labour demand indicators: employment, wages and vacancies. Each of these indicators is now explained in more detail.

2.3.1 Employment and unemployment

The sustained growth in the Australian economy has resulted in a strong demand for labour. Indeed, since the beginning of 2004, employment has grown at an average annual rate of 2.7 per cent, while the unemployment rate has fallen from 5.6 per cent in January 2004 to 4.2 per cent in April 2008.

Employment growth in the mining and construction sectors has contributed solidly to total employment growth. Indeed, around 30 per cent of the rise in employment between 2004 and 2006 occurred in these industries, despite their share of total employment being only around 10 per cent. While further rises in the terms of trade will provide ongoing support for employment growth, the slowing in real economic activity is expected to have an offsetting impact over the forecast horizon (Chart 2.11).

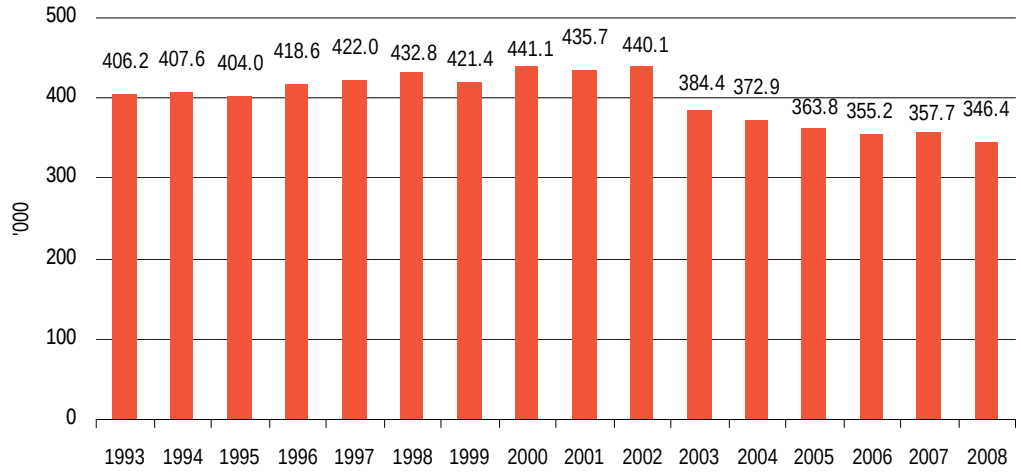
Chart 2.11 **Past and future employment in Australia**



Data source: CIE AUSM projections.

In terms of agricultural employment, Chart 2.12 shows that, in contrast to the trend in Australia's overall employment, the agriculture industry has experienced an employment downturn in recent years. As noted above, this is mainly attributed to the effects of the prolonged and deep drought. In addition to environmental issues, a plateau in private investment and a stronger Australian dollar have affected the industry's growth and competitiveness. While a slight recovery occurred last year, in the fifteen years to February 2008 agricultural employment fell by 59 800 (or 14.7 per cent).

Chart 2.12 **Employment level in the agriculture industry ('000)**



[a] Annual figures calculated as the average of quarterly employment figures for each financial year; [b] As at February 2008.
Data source: ABS Labour Force Survey (Catalogue No. 6291.0.55.003).

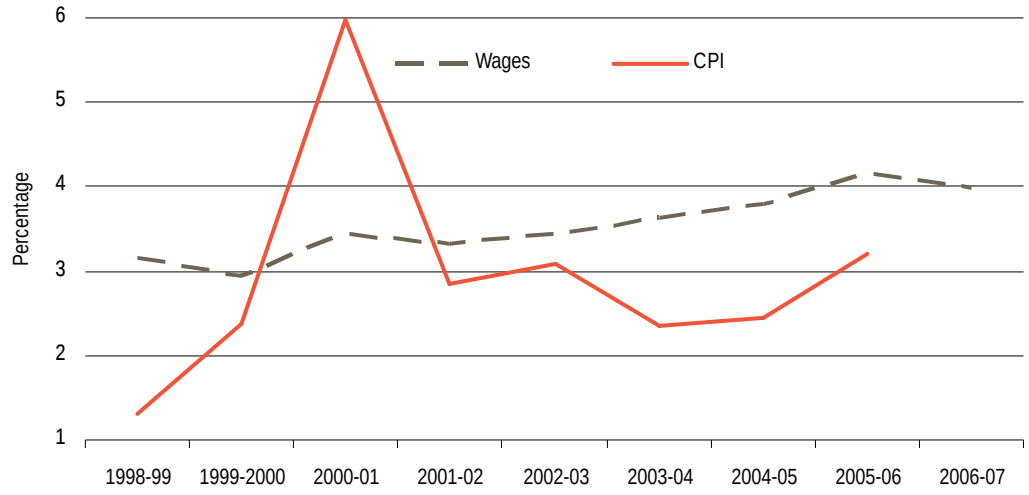
2.3.2 Changes in wages

A labour shortage in economic terms is an excess of demand relative to supply. When the labour market is 'tight' or the demand for labour is well above supply, the price of labour rises.

During these times, workers are in a stronger position to bargain for larger wage increases and businesses tend to pay higher wages to retain or attract workers.

Recently, wages growth in Australia has been strong. As shown in Chart 2.13, the wage price index of total hourly rates of pay (excluding bonuses) has grown faster than the general level of prices. These rising wages indicate the presence of a general shortage of labour.

Chart 2.13 **Growth in wages and consumer prices**



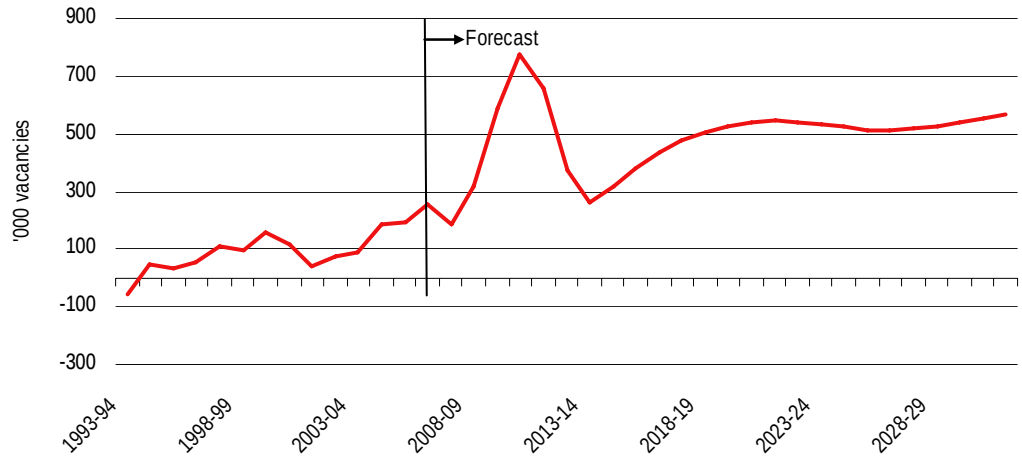
a Wage price index of total hourly rates of pay excluding bonuses.
Data source: ABS (Catalogue No. 6345.0 and 6401.0).

2.3.3 Changes in vacancies

The number of job vacancies is an additional indicator of labour shortages. Chart 2.14 provides CIE AUSM projections of the number of job vacancies in Australia. As shown in this chart, although a small decrease in the number of vacancies in the next few years is expected due to a slowdown in the economy, in the medium to long term a significant increase in vacancies is projected. This largely reflects demographic factors mentioned earlier. This will translate to additional pressure on the labour market.

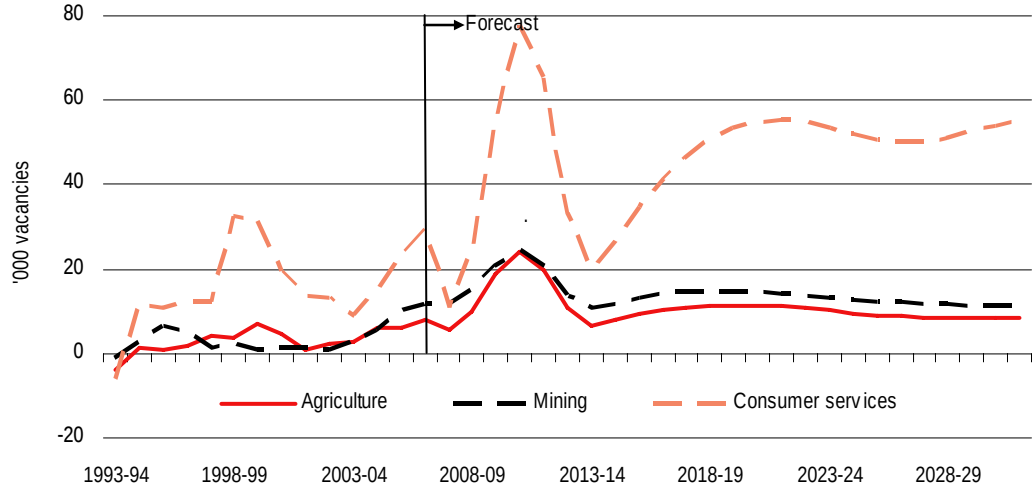
The sustained underlying tightness of the labour market is expected to impact upon agriculture. Chart 2.15 shows vacancies in selected industries, including agriculture based on actual ABS data and CIE AUSM projections. The chart shows that vacancies in the agriculture sector are projected to rise before moderating in the longer term. Nonetheless, other sectors such as mining and consumer services will face higher increases. This will translate into strong competition for labour between industries.

Chart 2.14 **Job vacancies projections in Australia**



Data source: CIE AUSM projections.

Chart 2.15 **Job vacancies projections for agriculture, mining and consumer services**



Data source: CIE AUSM projections.

2.4 Key points

The major drivers of change have worked together to result in general staff shortfalls. The economy has expanded rapidly since 1992-93, resulting in close to full employment. High levels of consumption, business investment, construction activity and international demand for non-rural commodities have fuelled the demand for labour. Meanwhile, the labour supply has been constrained to varying degrees by population growth, an ageing labour force and limited workforce participation.

Growth in the Australian economy is projected to slow in the next few years. As a result, conditions in the labour market are expected to ease, with some rise in the unemployment rate. Indeed, the 2008-09 Commonwealth Budget forecasts unemployment rate to rise to

4.75 per cent by the June quarter 2009 (Australian Government, 2008-09 Commonwealth Budget).

The medium to longer term the outlook for attracting and retaining staff presents many challenges. The underlying demographics point to underlying shortages and constraints in the supply of labour across the economy at large for some time to come. Other sectors of activity have faster underlying growth rates than agriculture and are likely to compete to attract the labour force that is available. Agriculture not only confronts seasonal variations in its production and environmental challenges, but it also faces important structural challenges such as an ageing labour force and fewer young people entering the sector.

Many factors identified in this chapter need to be assessed directly in the study about what is shaping the attraction and retention of staff in Australia's beef, sheep and pastoral wool industries.

3 Employment in pastoral industries

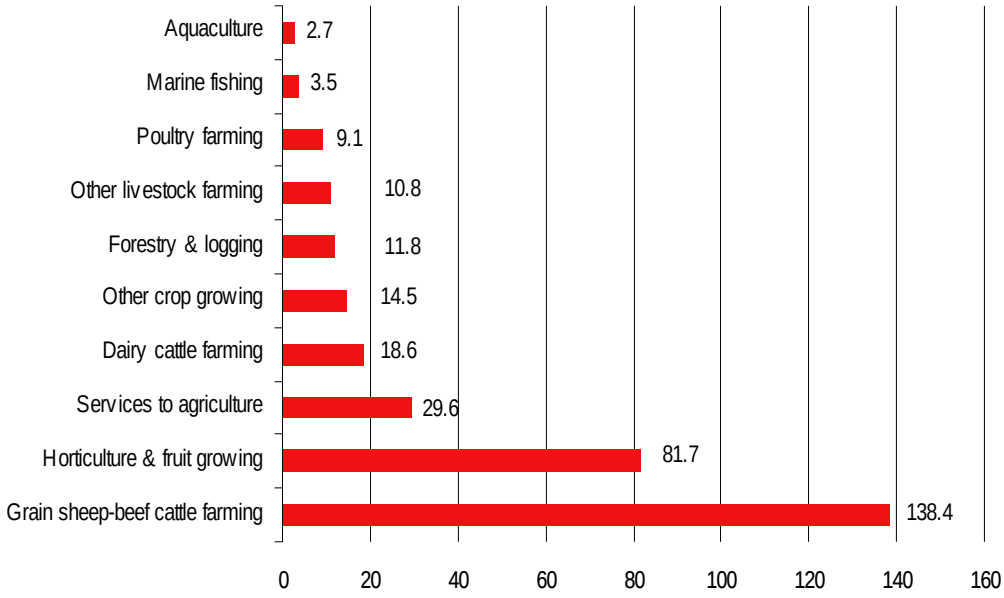
What is already known about employment in Australia's beef, sheep and pastoral wool industries? This chapter reviews the key statistics that are already available in order to set the context about the challenges regarding attraction and retention of staff.

From the outset it is important to flag that it is difficult to present an accurate and up-to-date figure of employment and the extent of labour shortages in the beef, sheepmeat and wool sectors due to limited statistics. Most importantly, much of the data that is available looks at agriculture as a whole rather than examining the component industries. In addition, many of the figures that are available typically present difficulties because of the difficulty of tracking employment engagements, many which may only last a day or two.

3.1 Industry wide labour force

The most recent ABS data indicates that there are some 321 000 people employed in the Agriculture, Forestry and Fishing Division.[8] The labour force for the component parts of the Agriculture, Forestry and Fishing Division are reported in Chart 3.1.

Chart 3.1 **Employment in agriculture, February 2007 (job numbers 000's)**



Source: ABS Labour Force Survey (DEWR trend data).

The biggest employer in agriculture as at February 2007 was grain, sheep and beef cattle farming, which employed 38 per cent (or 138 400 persons) of the total number of people employed. Dairy cattle farming employed 18 600 persons (or 5.1 per cent) and other livestock farming[9] employed 10 800 persons (or 3 per cent).

8 The composition of the Agriculture, Forestry and Fishing Division is based upon the Australian and New Zealand Standard Industrial Classification (ANZSIC) used by the Australian Bureau of Statistics (ABS).. Regretfully much ABS data is reported at this level of aggregation and data about the component parts are not available.

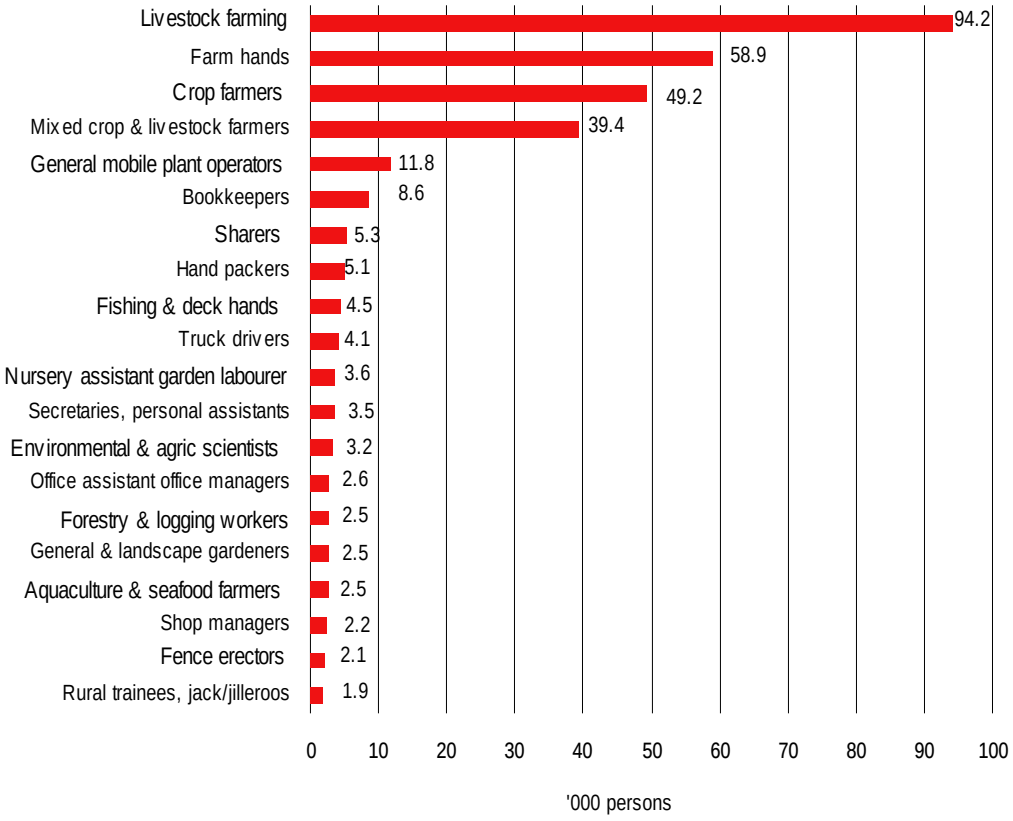
9 Other livestock farming includes pig farming, horse farming, deer farming and livestock farming not elsewhere classified.

3.2 Agricultural occupations

Looking at the occupations of employees in the agricultural industries provides some additional insight about the numbers of staff needed.

The 20 largest occupations employed in agriculture are reported in Chart 3.2. As shown in this chart, in 2005, the largest employment occupations are those involved in livestock activities. The largest include livestock farmers (94 200), followed by farm hands (58 900). This is followed by crop farmers (49 200), and mixed crop and livestock farmers (39 400).

Chart 3.2 **Top 20 employing occupations in agriculture, 2005**



Data source: ABS Labour Force Survey.

Table 3.3 focuses upon of employment in selected agricultural sub-sectors by occupation and shows the change between 2001 and 2006 based on the Census. The advantage in using the census data is that it provides a detailed and comprehensive snapshot from a particular point in time. This chart focuses upon the larger occupational categories that are directly involved in pastoral livestock production. It does not include ancillary occupations of people that may be employed within firms in these industries such as bookkeepers and other supporting roles. Thus, the total numbers of employees in the table is under those for the industry at large reported earlier.

Table 3.3 **Employment in selected agricultural sectors by occupation from 2001 and 2006**

Livestock occupations and industry employment, 2006 (persons)

Occupation	*Grain-Sheep and Grain-Beef Cattle Farming*	*Sheep-Beef Cattle Farming*	*Sheep Farming*	*Beef Cattle Farming*	*Shearing Services*	*Total*
Farmers and Farm Managers	208	42	166	283	3	700
Mixed Crop and Livestock Farmer	23 833	967	3 267	3 054	14	31 135
Livestock Farmers	302	309	307	6 765	6	7 689
Mixed Livestock Farmer	270	8 087	1 706	1 581	11	11 654
Beef Cattle Farmer	427	337	103	24 033	3	24 901
Sheep Farmer	1 014	767	8 374	72	51	10 277
Dairy Farmer	11	6	13	67	0	98
Farm Overseer	181	174	221	435	3	1 012
Shearer	405	77	1 847	3	1 469	3 801
Skilled Agricultural and Horticultural Workers	0	0	9	0	3	12
Agricultural and Horticultural Labourers	11	4	8	28	0	50
Farm Hands	2 567	1 492	1 715	5 921	15	11 708
Shearing Shed Hand	119	27	583	7	499	1 235
Total	29 346	12 287	18 317	42 247	2 077	104 272

Change in industry employment from 2001 to 2006 (persons)

Farmers and Farm Managers	-643	-172	-229	-402	-4	-1 448
Mixed Crop and Livestock Farmer	-4 729	-444	62	47	1	-5 063
Livestock Farmers	-73	-275	-136	733	3	253
Mixed Livestock Farmer	-83	-680	3	131	11	-617
Beef Cattle Farmer	-121	-192	44	2 718	3	2 451
Sheep Farmer	1 003	755	8 356	-140	51	10 024
Dairy Farmer	-1 383	-1 380	-8 916	-26	-24	-11 730
Farm Overseer	62	10	124	73	0	268
Shearer	-297	-113	-541	-15	-242	-1 207
Skilled Agricultural and Horticultural Workers	0	-3	-1	-6	-2	-12
Agricultural and Horticultural Labourers	-4	2	3	-12	0	-11
Farm Hands	-1 015	1 470	1 686	5 867	12	8 021
Shearing Shed Hand	-96	-88	-215	-2	-174	-575
Total	-7 377	-1 110	240	8 966	-365	354

Sources: ABS 2001 and 2006 Census of Population and Housing.

The data in the table above records the importance of livestock farmers to overall employment in the livestock industries. Mixed crop and livestock farmers, livestock farmers, mixed livestock farmers and dairy farmers account for most of the employment in the table.

The change in industry employment between 2001 and 2006 reported in the previous table may be revealing something important about key occupations in the pastoral livestock industries. Overall, employment in these industries and occupations did not change materially (with an

increase of only 304 jobs or around 0.3 of one percent of the total) over the period, although there were significant changes between industries and occupations.
This outcome could have been achieved with a high degree of churn within the industries and occupations, with a lower degree of entry and exit.

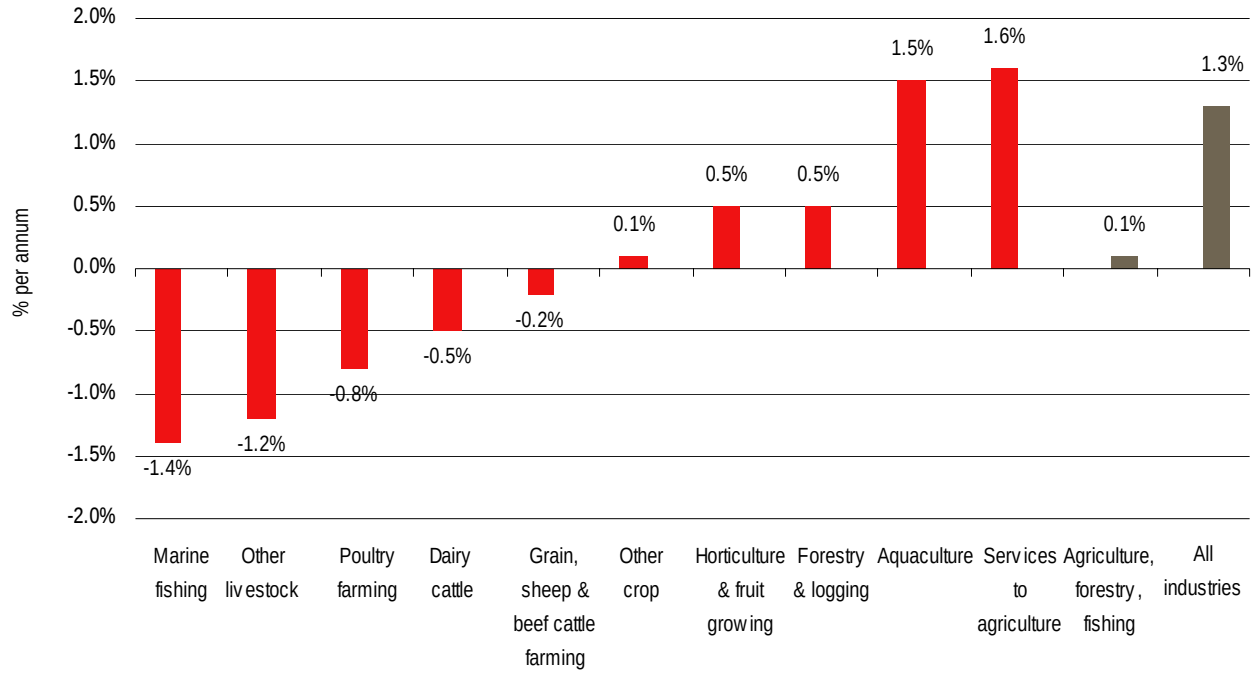
Regretfully it is not feasible to test the churn versus exit possibility fully with census or other existing data, although other information in the census that indicates progressive aging of people in all of these industries is also consistent with the notion of churn within these industries rather than replacement.

3.3 The outlook for employment in agriculture and livestock industries

In terms of future employment in agriculture, Chart 3.4 shows the employment projections for the agriculture industry from the Australian Government's Department of Employment and Workplace Relations (DEWR). DEWR has projected employment growth for the five years to 2011-12 for each industry, although considerable risk is attached to the agricultural outlook especially given the uncertainty about the drought.

Chart 3.4 also shows that DEWR expects an improvement in agricultural employment in the future. However, these gains are likely to be limited. In the five years to 2011-12, employment in the agriculture industry is expected to grow at a rate of 0.1 per cent per annum. This figure is significantly lower than the annual growth rate of 1.3 per cent for all industries over the same period.

Chart 3.4 **Projected employment growth in agriculture to 2011–12**



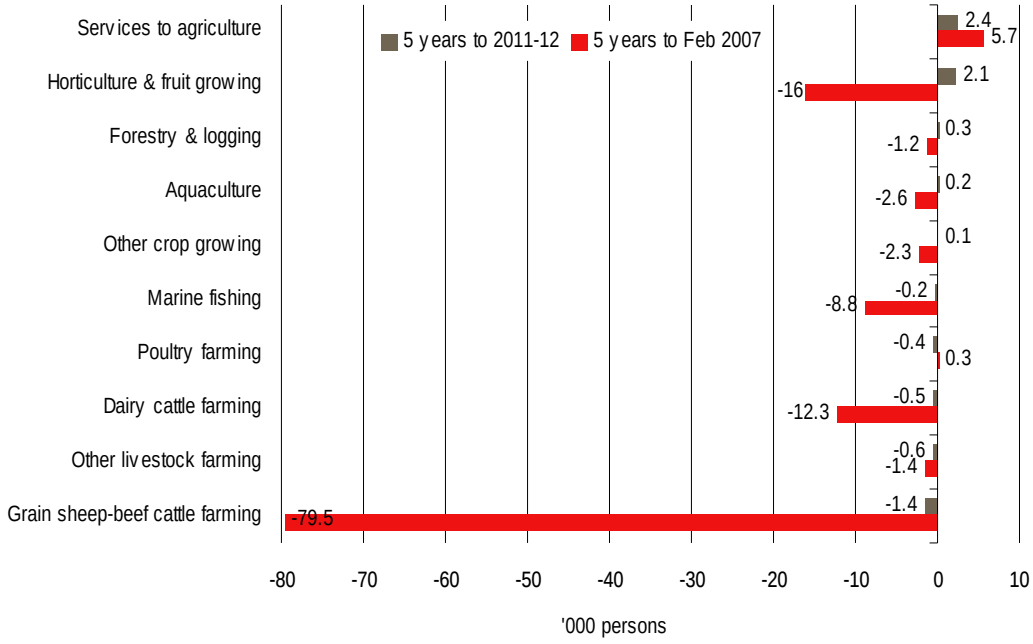
Data source: ABS Labour Force Survey (DEWR trend data).

The projected growth in agriculture is expected to vary significantly across the different parts of agriculture. Services to agriculture are expected to have the strongest employment growth at 1.6 per cent per annum, followed closely by aquaculture. In contrast, grain, sheep and beef cattle farming is expected to have a negative employment growth of 0.2 per cent in the five years

to 2011-2012. Dairy and cattle farming and other livestock farming is projected to have negative employment growth per annum in the following five years to 2011-2012.

When employment growth in the agriculture industry is broken down by sector, the main contributors to employment growth can be identified (see Chart 3.5). As shown in this chart, in the five years to February 2007 only services to agriculture and poultry farming experienced employment growth (5 700 and 300 persons respectively). In contrast, the grain-sheep-beef cattle farming sector had the largest decline in employment (down by 79 500 persons). This large decline in employment for grain, sheep and beef cattle farming is mostly attributable to the effects of the drought. Dairy cattle farming and other livestock also show a decline in employment (around 12 300 and 600 persons respectively).

Chart 3.5 **Recent and future employment growth in agricultural sectors — five years to November 2006 (past) and to 2011-12 (projected)**



Data source: ABS Labour Force Survey (DEWR trend data).

As mentioned above, looking ahead, grain, sheep and beef cattle farming, dairy and cattle farming and other livestock farming are all projected to have negative employment growth in the five years to 2011-12.

The more recent 2008-09 Commonwealth Budget forecasts present a slightly different picture. They indicate that that farm production is projected to increase by 20 per cent in 2008-09 following two consecutive drought years. Nonetheless, growth in livestock production is expected to remain subdued over the forecast horizon. While the improved seasonal conditions are expected to result in increased herd rebuilding, the number of livestock slaughtered is expected to fall. The overall projected growth in agriculture will translate in an increase in labour demand (employment) in the industry. However, these gains are expected to be modest. Further, the projected growth in employment is expected to vary significantly across the different sectors. In particular, the sheep, beef cattle farming and other livestock farming sectors are expected to have negative growth in labour demand.

3.4 Key points

The limited data that is available suggests that employment in the pastoral livestock industries has faced significant challenges in recent years. Employment in grain sheep-beef cattle farming is the biggest employing sub-sector within agriculture. This sub-sector lost the most employees over the last five years within agriculture at large.
This probably reflects the impact of the drought, but may also reflect some of the labour market challenges identified in earlier chapters.

Data about occupations provides different insights about the magnitude of the numbers of people that the livestock industries require. Livestock related occupations are the largest occupational categories within agriculture. Looking at key livestock occupations and key industries and sub-sectors based on census data between 2001 and 2006, it seems that rather than shrink, there has been churn within the related pastoral livestock industries and occupations.

Official forecasts about the outlook for employment suggest that while output may improve somewhat in the next few years, employment in pastoral livestock sub-sectors are projected to be largely static, and may decline.

4 Attraction and retention in theory

The previous chapters provided information about the drivers of labour market outcomes at the macroeconomic level. Understanding the labour market is important not only because it provides context into the scope of the dynamics influencing labour decisions, but also because labour market conditions impact turnover rates and labour shortages at an aggregate level. Indeed, at the macro level, economists and personnel researchers have demonstrated the relationship between turnover rates and the aggregate level of economic activity, employment levels, and vacancy levels (e.g. Armknecht & Early,1972; Forrest, Cummings, & Johnson, 1977; Price, 1977; Woodward, 1975-1976).

This chapter provides an overview of what it is already known about the drivers of attraction and retention and summarises the key findings from a review of existing literature. The chapter is structured as follows. It starts by providing a basic economic perspective about what sets outcomes in the labour market. Then it reviews what has been found in previous studies about the drivers of attraction and retention. Finally, it looks at the psychological factors driving attraction and retention.

4.1 Basic economic perspective

The demand for labour is determined by firms, but the supply of labour is determined by individuals. Each worker must decide how much (if at all) to work in the wage-paying sector of the economy versus non-wage paying alternatives.

In determining how much labour to demand, firms compare the costs and benefits of hiring additional workers. Similarly, in deciding how much to work, an individual weights the benefits against the cost of working. Beyond any psychological satisfaction gained from having a job, the principal benefit of working is the income earned. The principal cost of working is that it involves time and effort that are no longer available for other activities. Economists use the term leisure for all the off-the-job activities, including sleeping, eating, and so on. To make themselves as well off as possible, individuals choose to supply labour up to the point at which the income obtained from working an extra hour just makes up for the extra hour of leisure they have to forgo.

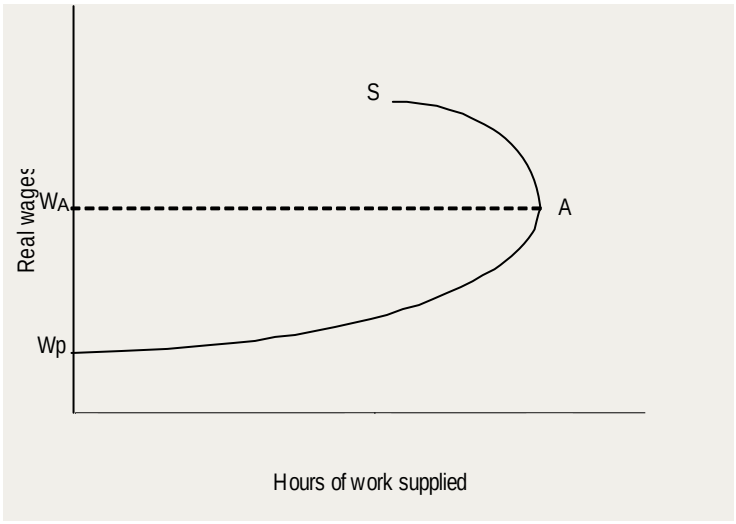
Generally, an increase in the real wage affects the labour supply decisions in two ways. First, an increase in the real wage raises the benefit (in terms of additional real income) of working an additional hour and thus tends to make workers want to supply more labour. This is called the substitution effect because workers will substitute leisure for work in response to a higher wage.

Second, an increase in real wage makes workers effectively wealthier because for the same amount of work they now can earn a higher real income. Someone who is wealthier will be better able to afford additional leisure and hence, supply less labour. This is called the income effect.

Notably, the substitution and income effects of higher real wages operate in opposite directions. If we assume that the substitution effect is stronger, then when wages increase, workers will choose to work more. But, is this always true?

At low wage levels, the individual increases his work effort as the wage rises. At some point, though, such as point A in Chart 4.1, the income effect begins to outweigh the substitution effect, and the labour supply schedule for the individual slopes backward. As the wage continues to rise, the individual work less, taking advantage of the high wage to enjoy leisure.

Chart 4.1 **The individual's supply of labour**



Data source: Fischer and Dornbusch (1983)

Hence, from a basic economic perspective, wages set the outcomes in the labour market and are the main driver of attraction and retention. But, does this work in practice?

The effect of pay on turnover and staff attraction is a much studied phenomenon in the empirical literature. Indeed, there is a vast literature on this subject. The sections below summarise the key findings from a review of existing literature.

4.1.1 Pay and attraction

In a study of the relationship between pay and staff attraction, Reynolds (1951) cited in Rynes et al. (1983) argued that job seekers establish minimally acceptable standards on one or two attributes (usually pay and/or type of work) and then accept the first job to meet or exceed those constraints. Following Reynolds, others (Sheppard and Belitsky, 1966 and Sobel and Folk, 1965 cited in Rynes et al., 1983) have similarly concluded that unemployed job seekers have some reservation wage standard below which other attributes, however attractive, cannot induce a job acceptance.

Rynes et al. (1983) argues that their findings that a majority of subjects appear to evaluate employment opportunities in relation to a reservation wage implies that preferences for non-pecuniary attributes may be irrelevant to individuals' job choice decisions until minimal pay constraints have been met or exceeded.

In a similar line, Osborn (1990) suggests that non-compensatory strategies (which propose that minimal levels of attractiveness of certain variables must be met before the position is competitive) may be used early in the job choice process to reduce the number of potential employers. Thus, applicants may use rational economic models during the job search process and only apply to those jobs meeting their "reservation wage" (Anderson et al., 2001 cited in Chapman et al., 2005).

Research on the role of pay in specific markets has also been conducted. For instance, Manning (2000) undertook a specific review of recruitment in low-wage labour markets. This study was small, restricted to only five companies, and thus the results cannot be generalised. However,

Manning's report does provide some important insights into the recruitment process in low-wage labour markets.

Manning's research showed that low wage labour markets can expect to have a low number of applicants per vacancy. Further, this study shows that the number of applicants is influenced by the wage offered and non-wage aspects of jobs (like the location and accessibility of the workplace).

Few studies have also investigated the role of pay in attracting employees to the agriculture industry. For instance, Perloff (1991) studied the impact of wage differentials on choosing to work in agriculture. The author used data from the US labour market in 1988 to model the estimated increase in the share of the agricultural workforce under different wage increases. Perloff's main result is that 'inducing more workers to switch to agriculture may not require large wage increases' (Perloff, 1991 pp. 680).

In fact, Perloff showed that a 10 per cent increase in the agriculture wage could increase the share of non-urban male workers (with no more than a ninth grade education) by nearly a quarter. However, he also stressed the importance of other inducements such as better working conditions, health insurance and housing.

Notably, the framework used by Perloff to prove that an increase in wage would lead to an increase in the share of workers involves using a very sophisticated and complex model – he estimates reduced form profit equations to reflect wage differentials and estimates wage equations using Heckman's two-stage technique. In practice, it is likely that the decision making process of a worker is simpler. As such, it is reasonable to think that a simpler, more transparent framework can be used to study this relationship. Such a framework is used in a subsequent chapter to test the relationship between pay and attraction.

Finally, GPC Research (2004) conducted a research survey of employers and employees in the agriculture sector across Canada. The research indicated that employers and employees have different perceptions about the factors that influence recruitment and retention of agriculture workers. For instance, the study found that three fundamental factors inherent to the agriculture sector were among the most important in attracting employees to the sector: nature of the work, the location and the people involved. In contrast, training opportunities were rated significantly lower than other factors in terms of their importance in attracting employees to agriculture.

GPC's study also found that several factors influence whether employees will stay in the agriculture industry. Indeed, most people cited long work hours, low wages, and lack of advancement or professional development opportunities as reasons to explore careers outside of agriculture.

4.1.2 Pay and turnover

The relationship between pay and turnover has also been widely researched. Some of the literature on the topic is summarised in Table 4.2. As shown in this table, the research on the relationship between pay and turnover appears to be inconclusive as the findings are mixed and authors often find no relationship between these variables.

Table 4.2 **Studies of relations between pay and turnover**

Factor	*Population*	*N*	*Relation to turnover*
Salary, actual and expected			
Federico, Federico & Lundquist (1976)	Credit union females	96	Higher salary associated with longer tenure (salary strictly performance based); the greater the difference between expected and actual, the shorter the tenure; the higher the expectations, the lower the tenure.
Salary increases			
Hellriegel & White (1973)	Certified public accountants	349	Turnovers reported 20 per cent increases in pay on new job.
Satisfaction with pay			
Hellriegel & White (1973)	Certified public accountants	349	Turnovers more negative than non turnovers on attitudes toward pay policies and comparability of salary (significance levels not reported).
Koch & Steers (1978)	Non management entry level public agency employees	77	Not significant
Kraut (1975)	Salesmen	911	Not significant
Mangione (1973)	Institute for Social Research diverse occupation sample	295	r = - .16 [a]
Mobley, Horner & Hollingsworth (1978)	Hospital employees	203	Not significant
Newman (1974)	Nursing home employees	108	Not significant
Waters, Roach & Waters (1976)	Female insurance company clerical	105	Not significant
Satisfaction with pay and promotion			
Patchen (1960)	Oil refinery workers	487	Negative
Friedlander & Walton (1967)	Scientists and engineers	82	Negative
Knowles (1964)	Factory workers	56	Negative
Saleh et al (1965)	Nurses	263	Negative
Bassett (1967) [b]	Engineers	200	Negative
Ronan (1967)	Administrative & professional personnel	91	Negative
Hulin (1968)	Female clerical workers	298	Negative
Dunnette et al.	Lower level managers	1020	Zero
Kraut	Computer salesmen	Varied	Negative
Telly et al. (1971)	Factory workers	900	Zero [c]
Conference Board (1972)	Salesmen; management trainees	Varied	Negative

[a] $p < 0.01$. [b] Bassett posited such a relationship but did not specifically test for it. [c] This relation was explained by the nature of the union contract, which standardised pay and promotion procedures based essentially on seniority.

Source: Porter et al (1973) and Mobley (1979).

For instance, Federico et al. (1976) found that higher salary was associated with longer tenure. Mangione (1973) found a significant negative correlation between pay satisfaction and turnover. Hellriegel and White (1973) discovered that "leavers" had more negative attitudes toward pay than "stayers" and also reported significant increases in pay on their new jobs. In contrast, evidence from other studies in Table 4.2 suggests a lack of relationship between pay satisfaction and turnover.

More recent research suggests that the most important reason for turnover is higher wages (e.g. Campion, 1991 cited in Tang, 2000). Ilmakunnas and Maliranta (2005) and Martin (2003) also found that organisations with higher relative pay had lower turnover. Similarly, Taplin et al. (2003) found that one of the two most significant reasons for employees to leave the British clothing industry was the low level of wage in the sector, relative to other manufacturing sectors.

Other studies have found a modest relationship between pay and turnover. For instance, Griffeth et al. (2000) found that pay has a small effect on turnover, although they concluded that when high performers are insufficiently rewarded, they leave. The authors also found that some specific types of pay are associated with employee retention (e.g. individual merit-based reward systems and skill-based or knowledge-based pay systems). Conversely, group or organisation-based incentive plans are associated with increased employee turnover (Guthrie, 2000).

Some researchers have also studied the relationship between attitudes towards money and turnover. In particular, Tang et al. (2000) found that turnover is high among employees who value money, regardless of their intrinsic job satisfaction.

The preceding sections revealed an inconclusive pattern of results with respect to the role of pay in staff attraction and retention. Further, it is clear that the summarised body of research left much to be understood about the psychology of the employee attraction and retention process. Indeed, the reviewed literature calls attention to the possible main effects of factors such as satisfaction and engagement in the attraction and retention of employees.

It is clear that, while pay is an important element, it takes more than just money to attract and retain people. This is because, when making decisions about joining or leaving a firm, workers take into account a number of factors other than remuneration. The following sections provide an overview of the empirical research that has studied the effects of these non-pecuniary factors on attraction and turnover.

4.2 Wider views about staff attraction

Nine broad factors are regularly identified and examined as predictors of applicant attraction. Each of these factors is reviewed below.

4.2.1 Job characteristics

Behling et al. (1968) argue that applicants base their job choices largely on their evaluations of the job characteristics of the position being evaluated (such as pay, benefits and type of work). In line with this, Chapman et al. (2005) found that women use information about job characteristics (such as location and pay) more than men in determining the attractiveness of the position. This finding is consistent with role theories (Wiersma, 1990) in that women may be more likely than men to seek out positions that offer a location or benefits that minimize conflicts with other life roles (for instance spouse or parent).

From the literature review, it is clear that job characteristics impact staff attraction. Nonetheless, it is not clear that these factors are relevant in the Australian context and particularly in the context of Australia's pastoral livestock industry. As such, the relationship between job characteristics and staff attraction in the pastoral livestock industry is tested later in this report using information provided by the Workplace Survey.

4.2.2 Organisational characteristics

Some studies (Rynes, 1991 and Turban et al. 1998) suggest that applicants are attracted to a job based on the attributes that are broadly reflective of the organization (such as company image, size, work environment, location or familiarity). Chapman et al. (2005) found that the characteristics of both the job and the organisation are important determinants of applicant attraction.

4.2.3 Perceived alternatives

Several researchers (Bauer et al., 1998) have examined the extent to which applicants perceive viable alternative employment opportunities. More perceived available opportunities are thought to have a negative effect on attraction to any one specific opportunity. However, findings pertaining to this question are mixed (Barber, 1998). For instance, Chapman et al. (2005) found that perceived alternatives are not a predictive factor of applicant attraction.

4.2.4 Hiring expectancies

Researchers have found supportive results for the role of hiring expectancies (applicants' evaluations of the likelihood of being offered a position) in applicant attraction. Positive hiring expectancies are predicted to lead to greater applicant attraction (Rynes and Lawler, 1983). Further, Chapman et al's (2005) meta-analysis, they found that hiring expectancies is a predictive factor of applicant attraction.

4.2.5 Work-life balance and family-friendly policies

Studies have shown that work–life balance policies influence attraction to an organization and intentions to pursue a job (Bretz and Judge, 1994; Casper and Buffardi, 2004; Honeycutt and Rosen, 1997; Rau and Hyland, 2002). Carless and Wintle's (2007) findings also suggest that work-life balance career policies are attractive to young job seekers. Further, research by Grover and Crooker (1995) showed that family-friendly policies (e.g., maternity/paternity leave, flexible hours) positively influenced attachment to the organization regardless of the extent to which the individual might personally benefit from the policy.

Notably, the effect of work-life balance (in terms of the number of working hours) on staff attraction in the pastoral livestock industry is tested later in this report using information provided by the Workplace Survey.

4.2.6 Perceived fit

Some studies suggest that applicants seek a fit with the organization or with the type of job being filled (Cable and Judge, 1996, 1997; Judge and Bretz, 1992; Kristof, 1996; Tom, 1971). This theory was tested by Chapman et al. (2005) using meta-analysis techniques. They found perceptions of fit to be one of the strongest predictors of the applicant attraction.

4.2.7 Perceptions of the recruitment process

Researchers have examined applicants' perceptions of the recruiting–selection process (Ryan and Ployhart, 2000). Research questions relating to the recruitment process include whether applicants perceive they are receiving appropriate interpersonal treatment and timely information during the recruitment process and whether the selection instruments are perceived to be valid and procedurally fair. Chapman et al. (2005) found that how the recruitment is conducted is important.

4.2.8 Recruiter characteristics

Behling et al. (1968) suggest that because applicants often have insufficient information about job attributes, they have difficulty making meaningful comparisons among jobs. Therefore, applicants may be influenced more by the recruiter than by attributes of the job (Harris and Fink, 1987). Applicants' perceptions of a recruiter comprise characteristics of the recruiter (e.g. age) and the recruiters' behaviour (e.g. friendly, competent), which may provide signals about the attractiveness of a given position (Rynes et al., 1991). In this respect, Chapman et al. (2005) found that recruiter demographics is not a predictive factor of applicant attraction.

4.3 Wider views about staff retention

The academic literature (Dalton et al. cited in Abelson, 1987) suggests that differentiating between avoidable and unavoidable turnover can help employers to understand turnover better. Avoidable reasons include employees leaving to find better pay or working conditions elsewhere. Unavoidable reasons - which are beyond the employee's control - include, for example, an employee leaving to fulfil family responsibilities.

Another step towards understanding turnover within an organisation is to determine whether retention difficulties are caused by internal or external factors. While the role of labour market conditions and drought in causing turnover may preclude the use of targeted human resource strategies, this information may be useful in analysing to what extent turnover is due to outside factors. However, although tight labour markets and drought affect an employer's ability to attract and retain staff, looking outwards at the local labour market cannot be a substitute for understanding what is going on within the organisation (IDS, 2000).

There are many reasons behind labour turnover and it is seemingly impossible to identify all of them. Some of the main factors behind turnover identified in the empirical literature are summarised briefly below.

4.3.1 Labour market conditions

Labour market conditions, such as the rate of unemployment and the availability of alternative employment, will impact upon a person's decision to leave their job. Indeed, unemployment rates influence the perceived availability of alternatives and hence the expected utility of job search activities (Griffeth and Hom, 1995). In times of comparatively low unemployment and tight labour supply, people's perceptions of the ease of obtaining alternative employment are heightened. For instance, Kilpatrick and Felmingham (1996) found that labour turnover is higher in boom as opposed to recessed conditions. In contrast, Griffeth et al. (2000) find that perceived employment alternatives modestly predict turnover.

4.3.2 Organisational commitment

Most of the academic literature shows consistent findings of a significant and positive association between organisational commitment and turnover (Griffeth et al., 2000; Lum et al., 1998; Tang et al., 2000). Further, most research has found that affective commitment is the type of organisational commitment that is the most decisive variable linked to turnover (e.g. Allen and Meyer, 1990). Affective commitment is the employees' emotional attachment, identification with and involvement in the organisation they work for.

The extent of the importance of organisational commitment and engagement in retaining staff in the pastoral livestock industry is tested later in this report using information provided by the Workplace Survey.

4.3.3 Organisational support

Eisenberger et al. (2002) found that voluntary turnover is inversely related to the extent to which employees feel that their contributions are valued by their employers and that their employers care for their wellbeing.

4.3.4 Job satisfaction

Several turnover studies have found a relationship between job satisfaction and turnover (Griffeth et al., 2000; Lum et al., 1998; Mobley et al., 1979). Indeed, overall job satisfaction is negatively associated with turnover (Harter et al. 2002 cited in Boxall et al., 2003), as is the degree of variety, autonomy and responsibility found in a job (Mowday and Spencer, 1981 cited in Boxall et al., 2003). Further, some researchers have pointed to a link between affective commitment, job satisfaction and turnover. For instance, Mueller and Price (1990) cited in Lum (1998) suggest that satisfaction indirectly influences turnover in that it influences commitment and hence turnover intentions. Elangovan (2001) also noted a reciprocal relationship between commitment and turnover intentions (lower commitment leads to greater intentions to quit, which in turn further lowers commitment). Similarly, Griffeth et al. (2000) also find that job dissatisfaction is antecedent to forming an intention to quit.

While the literature consistently finds a relationship between job satisfaction and turnover, it is not clear that this factor is particularly relevant for the Australia's pastoral livestock industry. As such, the relationship between job satisfaction and turnover in the pastoral livestock industry is tested later in this report using information provided by the Workplace Survey.

4.3.5 Employee characteristics

According to the academic literature, there appear to be few employee characteristics that meaningfully predict turnover. Ethnicity and gender appear to be unrelated to quit rates (Boxall et al., 2003; Griffeth et al., 2000). However, age and tenure are found to be negatively associated with turnover (Boxall et al., 2003; Griffeth et al., 2000; Kilpatrick and Felmingham, 1996; Mangione cited in Mobley et al., 1979; Stromback, 1988). Indeed, research finds that the older a person and the longer a person is with an organisation, the more likely they are to stay. That said, Healy et al. (1995) argue that age is not in any way meaningfully related to an individual's decision to quit.

Importantly, the extent to which employee characteristics affect turnover in the pastoral livestock industry is tested later in this report using information provided by the Workplace Survey.

4.3.6 Job characteristics

Kilpatrick and Felmingham (1996) found that full-time workers are less likely to change jobs. Further, they found that people employed as plant operators or labourers are more likely to move in general.

4.3.7 Training

Martin (2003) studied the relationship between turnover and training. His research suggests that organisations that enhance the skills of existing workers have lower turnover rates. However, turnover is higher when workers receive off-the-job training or are trained to be multi-skilled, presumably because this type of training imparts more general skills and enhances the prospects of workers to find work elsewhere.

4.3.8 Perceived job security

Studies find that perceived job security is negatively associated with propensity to leave. As such, voluntary turnover is higher in industries with higher layoff rates (Fry, 1973 in Boxall et al., 2003) and in individual firms with higher employment instability (Greenhalgh, 1980 in Boxall et al., 2003).

4.3.9 Work-life balance

Lambert (2000) and Boxall et al. (2003) support the idea that work–life balance is important for employee retention. Indeed, over half of movers in Boxall et al's study gave the desire to improve work–life balance as a reason for moving.

Some economic theories have also tried to explain turnover in the labour market. An example of this is the Search Theory. Search theory is the analysis of how buyers and sellers acquire information about market conditions and how potential market participants are brought together. The first economist to begin applying search theory to the labour market was George Stigler (1961).

In Stigler's theory, sellers and buyers prices will only match if both groups of agents have complete knowledge of each other's prices. However, Stigler believes that complete knowledge was rarely possessed and that price differences between identical goods could occur as a result of incomplete information. Stigler suggests that the labour market displayed the same characteristics as other markets, but its analysis was more complicated due to the fact that workers are not identical.

One of the main postulates of search theory is that a consumer can benefit from shopping around as he/she may be able to find an identical good at a cheaper price from a different seller. However, there is a cost to this search and the consumer must therefore balance the chance of finding the good cheaper and the cost of searching. The same is true of the labour market. A worker will search for wage offers until the expected marginal return equals the marginal cost of search. Thus, the larger the cost of search, the less search will be undertaken by a worker given the rate of wage dispersion.

An implication of the search theory models is that they predict that turnover and unemployment are positively related. According to this theory, workers who perceive their wages to be low quit to search for new jobs, causing unemployment to rise.

From an analysis of US labour market data, it became apparent that search theory was inconsistent with the observed patterns. Indeed, the data showed with indisputable regularity that there was a negative relationship between job quits and unemployment. When unemployment went down, job quits went up. In the light of this empirical evidence, new economic theories that could explain the observed relationship began to emerge. Examples of these theories are the job matching models.

Akerlof et al. (1988) developed a job matching model to study labour turnover. In their model the authors assume that there is a vacancy chain. This means that when one employee quits a job, another employee (who had previously coveted that position) quits to take it, thus creating another vacancy that causes yet another employee to quit and leave another vacancy. This vacancy chain continues until a vacancy is filled by someone who was previously unemployed or out of the labour force. In Akerlof et al's model, the vacancy chain becomes longer when fewer people are unemployed. Vacancy chains are longer when unemployment is low because the number of job seekers who are unemployed or out of the labour force is small relative to the number of employed job seekers. In this case, the probability of recruiting an unemployed individual to any given vacancy, thus ending the chain, is low. In contrast, in a low-pressure, high-unemployment economy, there are more unemployed or job seekers out of the labour force relative to employed job seekers; thus vacancy chains are shorter.

The logic of the vacancy chain comes from the idea that there are some workers who are ready to switch jobs when an opening becomes available. Workers may dislike their jobs for pecuniary or non-pecuniary reasons, but a drop in the unemployment rate enables workers to become more mobile as it becomes easier for them to find alternative employment. In contrast, when unemployment is high, workers who dislike their jobs are likely to be stuck.

Another important dimension of the job matching models is that they include both pecuniary and non-pecuniary reasons for leaving a job. In contrast, in the search theory models, the decision over whether not to take or leave a job stemmed entirely from financial considerations. Economists became increasingly aware that non-pecuniary rewards can be just as important and factored these considerations into the job matching models.

Through their job matching model, Akerlof et al's reach the following conclusions about the labour market:

- most job quits are from one job to another;
- job quits are cyclic because job opportunities are more abundant in a high pressure economy;
- most job quits do not involve large wage increases;
- most job quits result in significant non-pecuniary gains;
- quit rates vary inversely with wage rates;
- workers' quit probabilities decline with job tenure; and
- there exists an inverse relationship between vacancies and unemployment.

4.4 Costing turnover

The extent of the impact of turnover on a firm cannot be fully understood if there is no attempt to quantify the costs. The more complex approaches to costing turnover give a more accurate and higher estimate of the costs. Such approaches often take into account the costs associated with lost productivity (i.e. the productivity of a new employee during their first few weeks or months in the role and that of resignees during the notice period) and the effect on morale of the remaining workforce.[10]

While complex approaches to costing turnover are more accurate because they cover all the costs associated with turnover, in practice these can prove too complex and time-consuming for

[10] Source: MINTRAC.

many organisations. The UK Chartered Institute of Personnel and Development (CIPD) suggests that because of the difficulties involved in estimating and quantifying some of the indirect costs many organisations prefer to take a 'not less than' approach in attempting to cost turnover. According to the CIPD (2004), it is possible to compute a 'not less than' figure by working out what it costs on average to replace a leaver with a new starter in each major employment category. This figure can then be multiplied by the crude turnover rate for that employee group to calculate the total annual costs of turnover. In general, the major turnover costs that an employer faces when an employee leaves are:

- exit costs — the leaving cost includes the administrative cost of terminating the leaver's employment;
- recruitment costs — the cost of recruiting a replacement (including advertising and the use of recruitment companies);
- selection costs;
- costs of cover during the vacancy period (temporary employees or overtime);
- transition costs — the cost of re-training the new recruit; and
- indirect costs — lost expertise, loss of personal relationships, client satisfaction, recognition etc.

Several studies have attempted to estimate these turnover costs by estimating what it costs on average to lose an employee. The estimates in the literature vary significantly. Nonetheless, it is suggested that, on balance, the cost of turnover ranges from 25 per cent to 150 per cent of an employee annual salary depending on their role and level of seniority (see Box 4.3 for more details).

This approach to costing turnover will be used later in the report to estimate the cost of turnover in the pastoral livestock industry at the farm and industry-wide level.

Box 4.3 **Summary of turnover cost studies**

Several national and international studies have attempted to estimate the cost of losing an employee. The key findings of these studies are summarised below.

- Human resource consulting Mercer estimates that staff turnover costs range from 50 per cent to 150 per cent of the annual salary of an Australian worker, depending on the role and level of seniority.
- The University of Queensland undertook a study on workforce turnover in FIFO (Fly-in Fly-out) mining operations in Australia. The study calculated the cost of 'average' employee turnover at a FIFO mine with 300 employees as being in the order of $2.8 million (or around $9 400 per employee).
- Information services company Unisys New Zealand estimated that the cost of replacing a worker is around 1.5 times that person's yearly salary.
- The Society Human Resource Management, estimated that it costs US$3 500 to replace a US$8 per hour employee in the USA when all costs -recruiting, interviewing, hiring, training, reduced productivity were considered.
- A major study of employee turnover in the USA supermarket industry estimated that the total direct and indirect costs of replacing a supermarket cashier earning US$6.50 per hour was at least US$3 637.
- According to the American Management Association, the cost of hiring and training a new employee can vary from 25 per cent to 200 per cent of their annual salary. These costs include customer service disruption, emotional costs, loss of morale, burnout/absenteeism among remaining employees, and loss of experience, continuity, and corporate memory.
- The U.S. Department of Labour estimates that it costs one-third of a new hire's annual salary to replace them. This figure includes direct costs (advertising, sign on bonuses, recruiter fees and overtime) and indirect costs (recruitment, selection and training and decreased productivity while current employees pick up the slack).
- A study by Hay Group found that the cost of replacing workers range from six months of an hourly worker's salary to 18 months salary of a professional employee.
- According to a survey on employee turnover conducted by Workforce Magazine in the USA, 45 per cent of responding companies indicated that turnover costs are more than US$10 000 per employee.

From the preceding points, it is clear that the estimates of cost of turnover in the literature vary significantly. Nonetheless, on balance, the literature suggests that the cost of turnover for a firm ranges from 25 per cent to 150 per cent of an employee annual salary depending on their role and level of seniority.

Sources: PeoplePulse.com (2007), Unisys (2008), University of Queensland (2003) and Sasha Corporation (2007).

4.5 Emerging insights about employee engagement

Measuring job satisfaction, organisational climate (employee attitudes) and culture (values, beliefs, behaviours, assumptions) were the key focus of employee opinion surveys until recently. With the global skills shortage, organisations have become more focused on retention. A view was generated by the Gallup organization (Buckingham & Coffman1999, Pugliese 2004) that job satisfaction is not sufficient to predict retention. Development Dimensions International (DDI) believe the principles of employee engagement were first documented in the book written by Byham, their founder and published in 1988. The focus in employee surveys has moved to measuring employee engagement, with the assumption that a highly engaged employee is more likely to stay.

Although the employee engagement concept is gaining credibility in its ability to predict employee performance and retention in the workplace, "there is no universal definition of engagement" (Australian Human Resources Institute, 2006, p. 41). Consequently, there is no consistent way of measuring employee engagement. This is partly due to the fact that employee engagement is not a singular psychological construct but rather a concept that consists of some key constructs that need to be measured individually before a comprehensive measure of employee engagement can be established.

Academic research is now focusing on employee engagement which has been the domain of employee research and consulting organisations. Based on their research, Macquarie University, using its Voice Project, and Australian Catholic University equate Employee Engagement to "Passion" with three sub-components of organisation commitment, job satisfaction and intention to stay (Langford, Parkes & Abbey, 2006).

The Ryder Self Group has reviewed the main models for measuring employee engagement and consider the Centre for Corporate Leadership's approach (2004) is the most rigorous model at the moment, although their culture assessment is an area that needs improvement as it describes culture in generic terms. The Corporate Leadership Council (CLC) defines employee engagement as: "Purposeful engagement is the extent to which employees commit to something or someone in their organization, how hard employees work, and how long they stay as a result of that commitment" (2004, p.4)

This definition covers the concept of retention comprehensively. Not only does engagement include the concept of retention, but it also looks at how committed and productive employees are. It is important to note that, based on the CLC definition, employees can be committed rationally (with the mind) as well as emotionally (with the heart). **Emotional commitment** *(employees who derive pride, inspiration and enjoyment from their job and organisation)* drives discretionary effort while **rational commitment** *(employees who think their current employment fulfils their financial, development and career needs)* drives intent to stay (2004, p.36).

Another definition of employee engagement that strongly addresses the dimensions of employee retention is outlined by Hewitt (2005): "engagement describes specific behaviours shown by employees who are truly committed to your company's success and put forth extra effort to help the business succeed. It isn't enough for employees to be 'satisfied' with their jobs — to influence business success, engaged employees consistently demonstrate three general behaviours.

- Say — The employee consistently speaks positively about the organisation to co-workers, potential employees, and customers.
- Stay — The employee has an intense desire to be a member of the organisation despite opportunities to work elsewhere.
- Strive — The employee exerts extra time, effort, and initiative to contribute to business success."

Based on research with over 20,000 current and former employees from 18 industries in the USA, Branham identified the top 7 reasons why employees leave their job (2005, p. 29):

1. The job or workplace not living up to expectations.
2. The mismatch between job and person.
3. Too little coaching and feedback.
4. Too few growth and advancement opportunities.
5. Feeling devalued and unrecognized.
6. Stress from overwork and work-life balance.
7. Loss of trust and confidence in senior leaders.

Furthermore, the research shows that 89 per cent of managers believe employees leave for more money while 88 per cent of employees leave for reasons other than money: 12 per cent of employees leave for money (Branham, 2005, p. 3).

The Ryder Self Group has been measuring key elements of employee engagement since 2000 and continually reviews pertinent research to monitor the emerging issues to confirm their approach and, or modify their instrument. This provides The Ryder Self Group with a rigorous and proven methodology that is not static but acknowledges the changing environments within organisations and the need to measure them.

The following seven dimensions used in The Ryder Self Group measurement of Employee Engagement (highlighted in Table 4.4) have been statistically identified to be emotionally interlinked with each other and aligned with the definitions of employee engagement as discussed previously. Although the retention construct is key in terms of addressing the brief for this particular project, the other six constructs are closely aligned and are also potentially strong drivers of retention.

For each of these seven dimensions, a particular 'Gut Feel' question have been developed and included in the workforce survey. These are all included in Table 4.4.

Due to the complexity of defining and measuring employee engagement, Sirota Survey Intelligence has moved to the definition of **employee enthusiasm** (2005). Enthusiasm is defined as a state of high employee morale that derives from satisfying the three needs of workers (equity, achievement and camaraderie). Although it is not clear from their definition of enthusiasm to what extent it will influence employee retention, their research on employee enthusiasm validates a few key theories of motivation that are directly relevant to employee retention.

Table 4.4 **Employee Engagement Questions included in the Workforce Survey**

The Ryder Self Group 7 Engagement Indicators	***Questions in Workforce Survey Questionnaire***
1. Retention – whether employees see a long-term future with the particular business	*Q. Do you believe you have a long-term future at your farm / station / company?* Yes No Unsure
2. Loyalty - whether the employee would recommend the business as a great place to work	*Q. Do you recommend your farm / station / company as a great place to work?* Yes, all the time Yes, sometimes No, never No opportunity to recommend
3. Emotional job satisfaction – level of satisfaction with working in the business	*Q. Overall, how would you rate your satisfaction with your job?* Extremely dissatisfied Very dissatisfied Somewhat dissatisfied Fairly well satisfied Very satisfied Extremely satisfied
4. Morale – level of work related morale	*Q. How would you rate your own work morale at the present time?* Rock bottom Very low Low Reasonable High Very high
5. Discretionary effort - willingness of the employee to put in extra effort / go the extra mile to assist others or business achieve their objectives	*Q. Please select your response to the following statement and provide comments. "I am willing to put in extra effort to assist my co-workers or to achieve our business objectives."* Always Mostly Sometimes Never
6. Pride – Pride in working for the business	*Q. I am proud to be working for this farm / station / company* a) How important that statement is to you where 1 = Not Important and 7 = Extremely Important b) Your current experience at work where 1 = Strongly Disagree and 7 = Strongly Agree
7. Feeling trusted and valued – whether employees feel trusted and valued in the business	*Q. I am trusted and valued as a person* a) How important that statement is to you where 1 = Not Important and 7 = Extremely Important b) Your current experience at work where 1 = Strongly Disagree and 7 = Strongly Agree

4.6 Theories of motivation

Reviewing a cross-section of motivation theories assists in identifying other motivational forces that could potentially be influential in driving employee attraction and / or retention. Many of these theories were not originally formulated to apply to work behaviour specifically but can be applied to the workplace to understand underlying forces that motivate employees to behave in a particular way, in this case, looking at underlying motivational forces that drive employee attraction and / or retention.

4.6.1 'Need' theories of motivation

The 'Need' theories of motivation imply that human needs create internal tension and human behaviour is directed at reducing that tension through meeting those needs. According to Maslow, these needs are organised in a hierarchy where lower level needs are met first after which higher level needs become more prevalent.

According to Maslow's theory, employees would first be motivated to have their physiological needs (i.e. sufficient income, working hours, sufficient resources) met and once satisfied, their need for security (i.e. safety procedures and well-maintained workplace and equipment) would need to be met followed by their need for love and belonging (i.e. feeling part of a community and having a sense of belonging in the workplace), followed by their need for self-esteem (i.e. ability to use skills and abilities, recognition for a job well done, feeling trusted and valued), followed by their need for self-actualization (ability to contribute to decisions that affect their work, professional & career development, coaching and mentoring, skills development, finding new and better ways of doing things etc). Although the hierarchical relationship of Maslow's theory has been significantly questioned by in-depth research into his theories, the various categories of needs are useful and are all represented in the list of attributes contained in the Workforce survey. Alderfer' **ERG Theory** considers a very similar set of needs, although only grouped across three categories without the hierarchical relationship between the different groups.

Another **needs** theorist who looked more specifically at work motivation was Herzberg. He identified two major categories of needs namely Hygiene factors and Motivators (two factors):

1. Hygiene factors (avoiding unpleasantness / pain – preventing the development of negative job attitudes or dissatisfaction) – e.g. organisational policies, administration, quality of supervision / management, pay, working conditions and interpersonal relationships.
2. Motivators (striving towards personal growth or self-actualisation – shaping positive job attitudes or satisfaction) – e.g. ability to achieve results, recognition for a job well done, level of responsibility and empowerment, career development opportunities, ability to perform satisfying and rewarding work.

Although Herzberg's theory received a lot of opposition – questioning the inability of Hygiene factors to contribute to satisfaction and inability of Motivators to cause dissatisfaction - Herzberg succeeded in identifying a range of different motivational elements in the workplace that contribute to both levels of employee satisfaction and dissatisfaction. For the purpose of this project, the extent to which these elements contribute to either attracting or retaining employees will be explored.

The following lists all the questions in the Workforce survey and specific dimensions that test the various **need theories**. The scales measure employee expectations and their experience at work:

Qa) How important that statement is to you where 1 = Not Important and 7 = Extremely Important; Qb) Your current experience at work where 1 = Strongly Disagree and 7 = Strongly Agree

Workforce Survey Attribute	***Maslow***	***Herzberg***
1. We have strong leadership & clear direction for the business	Self-actualisation	Motivator
2. We work as a team	Love & Belonging	Hygiene
3. My work environment is healthy and safe	Physiological	Hygiene
4. I receive fair pay for the work I do	Physiological	Hygiene
5. Conditions of employment are attractive (e.g. hours worked, leave, non-cash items etc)	Physiological	Hygiene
6. I have the equipment and resources to do the job	Physiological	Hygiene
7. My immediate supervisor listens to me and encourages ideas	Self-actualisation	Motivator
8. My job makes good use of my skills and abilities	Self-esteem	Motivator
9. I can balance work and leisure	Physiological	Hygiene
10. I am trusted and valued as a person	Self-esteem	Motivator
11. I am proud to be working for this farm / station / company	Love & Belonging	Hygiene
12. I am recognised for a job well done	Self-esteem	Motivator
13. I receive regular feedback about my work performance	Self-esteem	Motivator
14. I can contribute to decisions that affect my work	Self-actualisation	Motivator
15. Poor performers are dealt with effectively at work	Self-esteem	Motivator
16. My workplace is free from harassment, bullying & discrimination	Love & Belonging	Hygiene
17. I understand what is expected of me at work	Self-actualisation	Motivator
18. We are committed to environmentally sustainable use of resources	Security	Hygiene
19. We are open and honest in our dealings with each other	Love & Belonging	Hygiene
20. We are encouraged to participate in outside community activities	Self-actualisation	Motivator
21. I have opportunities to get ahead in my career	Self-actualisation	Motivator
22. My workload is manageable	Physiological	Hygiene
23. I am able to develop and improve my skills and knowledge	Self-actualisation	Motivator
24. Our equipment and workplace are well-maintained	Security	Hygiene
25. We have a family or community atmosphere at work	Love & Belonging	Hygiene
26. Conditions of employment are applied fairly and consistently	Physiological	Hygiene
27. Communication is effective between managers and staff	Love & Belonging	Hygiene
28. Our accommodation is of a good quality standard	Security	Hygiene

Q. What attracted you to a farm job or career in the pastoral livestock industry?

Reasons for being attracted to livestock industry	***Maslow***	***Herzberg***
1. Family background of working on a farm	Love & Belonging	Hygiene
2. Spouse or partner's job is on farm	Love & Belonging	Hygiene
3. Working with animals	Self-actualisation	Motivator
4. Working with machinery	Self-actualisation	Motivator
5. Working outdoors	Self-actualisation	Motivator
6. Reputation of farm / company	Love & Belonging	Hygiene
7. Reputation of manager	Love & Belonging	Hygiene
8. Lifestyle	Physiological	Hygiene
9. Pay and benefits	Physiological	Hygiene
10. Variety in job	Self-actualisation	Motivator
11. Media portrayal of working on a farm (e.g. McLeod's Daughters)	Love & Belonging	Hygiene
12. Quality of the operation	Self-esteem	Motivator
13. Career opportunities	Security	Hygiene
14. Autonomy; working independently	Self-esteem	Motivator
15. Work experience in Year 10	Self-actualisation	Motivator

Q. Which of the following best describes the reasons that would cause you, or have caused you, to leave your job?

Reasons for leaving	***Maslow***	***Herzberg***
1. Work environment (e.g. heat, dust)	Physiological	Hygiene
2. Lack of job security	Security	Hygiene
3. Retirement	Physiological	Hygiene
4. Better career opportunities elsewhere	Self-actualisation	Motivator
5. Limited training and skills development opportunities	Self-actualisation	Motivator
6. Social Isolation	Love & Belonging	Hygiene
7. Not feeling valued / lack of recognition of achievements	Self-esteem	Motivator
8. Job duties boring or unchallenging	Self-esteem	Motivator
9. Uncompetitive wages	Physiological	Hygiene
10. Disagreement with manager/supervisor	Love & Belonging	Hygiene
11. Outdated machinery and equipment	Physiological	Hygiene
12. Working too many hours	Physiological	Hygiene
13. Safety (e.g. unsafe environment, equipment)	Security	Hygiene
14. Poor standard of accommodation	Physiological	Hygiene
15. Bullying / harassment	Love & Belonging	Hygiene
16. Poor leadership and communication from management / supervisors	Love & Belonging	Hygiene
17. Employer expectations not clearly communicated	Love & Belonging	Hygiene
18. Unsuitable lifestyle	Physiological	Hygiene
19. Family reasons (e.g. illness, birth of child etc)	Physiological	Hygiene

Q. Which have been the most effective actions to convince employees to stay? Choose top 3 most effective actions.

Reasons for leaving	***Maslow***	***Herzberg***
1. Providing training, qualifications	Self-actualisation	Motivator
2. Providing career paths	Self-actualisation	Motivator
3. Allowing flexible working hours	Physiological	Hygiene
4. Reducing work hours	Physiological	Hygiene
5. Providing time off in lieu of hours worked	Physiological	Hygiene
6. Increasing salary	Physiological	Hygiene
7. Providing air conditioning	Physiological	Hygiene
8. Upgrading accommodation	Physiological	Hygiene
9. Changing manager or supervisor	Love & Belonging	Hygiene
10. Providing option for volunteering for community organisations (to meet new people)	Love & Belonging	Hygiene

4.6.2 Theory of needs and personal engagement

William Kahn (1990) explores the concept of personal engagement and disengagement at work and suggests that employees who draw on their physical, cognitive and emotional abilities in their roles in the workplace are more content with the personal fit of their roles and are therefore also more engaged. This concept is highly consistent with the self-actualisation construct suggested in Maslow's theory of needs.

4.6.3 Values - equity theory

Another type of motivation theory looks at **values** as the underlying driving force of human behaviour rather than meeting certain needs. One particular value that received significant attention is **equity**. According to the **equity theory** individuals are constantly making comparisons between their own inputs (skills, qualifications, work effort, working hours etc) and outcomes (rewards, recognition, achieving results, development and career opportunities etc) and those of other individuals within the same and other organisations. If the individual detects any inequity, they will make the necessary adjustments to re-establish equity. Examples of such adjustments would be asking for a pay rise, working less hours, putting in less effort, looking for alternative employment, seeking more realistic points of comparison to improve their perception of equity.

The **equity theory** is particularly relevant to the project, especially when considering the psychological process that potential or current farm employees might be going through when comparing their employment options in a livestock business with other agricultural businesses or other industries, such as mining.

Although it is highly probable that unrealistic comparisons could result in a perception of inequity and thus result in behavioural adjustments such as changing industries, it is also possible that a comprehensive and realistic comparison of all work elements could again restore the perception of equity e.g. fair pay, etc.

The following questions in the Workforce survey test the concept of equity in a variety of different areas rating each statement in terms of their expectations and experience:

a) How important that statement is to you where 1 = Not Important and 7 = Extremely Important; b) Your current experience at work where 1 = Strongly Disagree and 7 = Strongly Agree

Workforce Survey Attribute testing Equity

I receive fair pay for the work I do
Conditions of employment are attractive (e.g. hours worked, leave, non-cash items etc)
I have the equipment and resources to do the job
I can balance work and leisure
I am recognised for a job well done
I receive regular feedback about my work performance
Poor performers are dealt with effectively at work
I have opportunities to get ahead in my career
My workload is manageable
Conditions of employment are applied fairly and consistently
Our accommodation is of a good quality standard

Q. Do you recommend your farm / station / company as a great place to work?

Yes, all the time
Yes, sometimes
No, never
No opportunity to recommend

Q. Which of the following best describes the reasons that would cause you, or have caused you, to leave your job?

Better career opportunities elsewhere
Limited training and skills development opportunities
Not feeling valued / lack of recognition of achievements
Uncompetitive wages
Outdated machinery and equipment
Working too many hours
Poor standard of accommodation

Comprehensive research conducted by Sirota Survey Intelligence over 30 years with millions of employees across various industries published in the book, *The Enthusiastic Employee: How Companies Profit by Giving Workers What They Want* (2005) find that an overwhelming majority of workers have three main goals at work:

- Equity: To be treated justly in relation to the basic conditions of employment.
- Achievement: To take pride in one's accomplishments by doing things that matter and doing them well; to receive recognition fro one's accomplishments; to take pride in the organisation's accomplishments.
- Camaraderie: To have warm, interesting, and cooperative relations with others in the workplace.

These findings not only strongly support elements of the needs and equity theory but also highlight the importance of enabling individuals to perform in the workplace as outlined in the expectancy and operant theories outlined below.

4.6.4 Expectancy theory and operant theory

Both the **Expectancy Theory** and the **Operant Theory** introduce an important element in motivating human behaviour – i.e. **consequences**. The perceived / expected consequences of a particular behaviour can motivate the occurrence of that behaviour. In the context of exploring employee attraction it is valuable to explore the perceived / expected consequences / benefits during the recruitment process as these would be key in driving the employee's decision-making process. In the context of exploring employee retention, it is valuable to explore the perceived / expected consequences / benefits of long-term employment within a particular business and within the industry as possible motivators of high retention. The following question tests employees' original expectations of the workplace

Q. What attracted you to a farm job or career in the pastoral livestock industry?

Reasons for being attracted to livestock industry

1. Family background of working on a farm
2. Spouse or partner's job is on farm
3. Working with animals
4. Working with machinery
5. Working outdoors
6. Reputation of farm / company
7. Reputation of manager
8. Lifestyle
9. Pay and benefits
10. Variety in job
11. Media portrayal of working on a farm (e.g. McLeod's Daughters)
12. Quality of the operation
13. Career opportunities
14. Autonomy; working independently
15. Work experience in Year 10

Performance Management in organisations is based on the principles of the Expectancy and Operant Theories. Although Performance Management aims to reinforce actual performance in the workplace rather than retention, employees who are intrinsically motivated to perform (according to the Sirota findings on Employee Enthusiasm, employees have achievement as a key goal) are motivated to stay in a workplace that encourages, recognises and rewards their performance. The extent to which these principles are encouraged and implemented in the workplace are tested with the following questions based on employee expectations and experience in relation to:

a) How important that statement is to you where 1 = Not Important and 7 = Extremely Important; b) Your current experience at work where 1 = Strongly Disagree and 7 = Strongly Agree

Workforce Survey Attribute

1. I receive fair pay for the work I do[11]
2. I am recognised for a job well done
3. I receive regular feedback about my work performance
4. Poor performers are dealt with effectively at work
5. I have opportunities to get ahead in my career
6. I understand what is expected of me at work

Culture Section: Please indicate the extent to which you disagree or agree with the following statements.

1. Managers are concerned with setting performance targets and achieving results
2. Employees are expected to be self- motivated to get the job done and deliver results

4.6.5 Selfless theory

The motivation theories presented so far all consider an individual's needs or values or benefits for his or her self as the key driving force. Mark Oliver (2006) highlights another dimension in his "Motivational Mansion" construct where he also identifies motivational drivers that are more selfless in nature and **focus on the best interest of others**. It would, therefore, be of value to consider the possibility of other people's interests (the employees' family, fellow workers or the employer, the livestock industry) playing a key role in attracting and retaining staff.

This concept is covered under the engagement dimension of "Discretionary Effort" as outlined in this question:

Q. Please select your response to the following statement and provide comments. "I am willing to put in extra effort to assist my co-workers or to achieve our business objectives."

Always
Mostly
Sometimes
Never

[11] The Ryder Self Group has found that in many organisations pay is not in any way linked to actual performance and therefore it is debatable whether pay actually serves as an expectancy related driver.

It is also measured in other questions that look specifically at the value placed on teamwork:

a) How important that statement is to you where 1 = Not Important and 7 = Extremely Important
b) Your current experience at work where 1 = Strongly Disagree and 7 = Strongly Agree

1. We work as a team
2. We are encouraged to participate in outside community activities

Culture Section: Please indicate the extent to which you disagree or agree with the following statements.

1. Managers are concerned with developing individuals and building a supportive environment.
2. Employees are expected to co-operate, work well with others and support the team

4.6.6 Subjectivists

Most of the motivational theories are based on the Objectivist / Rational approach. The Subjectivists prefer to think of motivation in a much broader sense, namely that motivation is just people's need to make sense of their own behaviour either before, during or after their actual behaviour (Pace & Faules, 1989). The Subjectivist view would imply that identified motives are not necessarily the real drivers behind employees' behaviour in the workplace but rather just a socially acceptable explanation of their behaviour. Subjectivists have concerns with the broad generalisations implied by the various motivation theories.

Although we would agree that human beings may not be as consciously engaged in the motivational forces in their life as some motivational theories imply, we do believe that needs, values, equity, expectations, rewards and even altruistic motives all influence human behaviour at either a conscious and / or a subconscious level. Many of the thinking processes outlined in the above mentioned motivational theories are quite automatic, instinctive and subconscious and not always within the control or conscious awareness of the individual. The human being does not need to be in control or aware of a particular process or driving force for it to influence his or her behaviour.

The Ryder Self Group believes it is important to acknowledge that each theory of motivation addresses only one dimension of human behaviour and that an eclectic approach that draws elements of the truth from each of these theories provides a more useful approach to understanding and predicting human behaviour.

4.6.7 Employer of choice criteria and attraction

A useful exercise for assessing employee attraction is to consider the **Employer of Choice Criteria**. The Workforce survey contains a comprehensive set of questions that measure pastoral livestock businesses' performance in respect to criteria that assesses the attractiveness of Employers. The areas for measurement appear in the table below.

Branham (2005, p. 208) provides a useful model for becoming an Employer of Choice which addresses attraction and retention, based on four elements:

Attract -> Select -> Engage -> Keep Engaged

Hammer (2003, p. 11) provides similar four steps for the Retention Process:

Attraction -> Selection -> Development -> Decision

Hammer believes "retention begins with attraction – i.e. attracting people to the company to apply for job openings." (2003, p. 11). The 'decision' step is where "individuals are constantly evaluating and making decisions, based on their job satisfaction, about whether to stay with or leave an organisation" (2003, p. 11).

Table 4.5 **Employer of choice criteria**

Criteria	Description
Organisation	Is the employer financially strong, respected and focused on the future? Are HR practices aligned with business objectives? Is the workplace safe, healthy and well maintained? Are there adequate resources, staff and equipment?
Leadership	Are leaders accessible, communicative and sensitive to internal and external factors influencing success? Do they 'get it'? Do they believe in, and are passionate about, listening to their people, their ideas and suggestions?
Culture	Are employees empowered, engaged, accountable? Do they look forward to coming to work because of the relationships between co-workers, customers?
Care for People	Is work/life balance valued? Are employees encouraged to take care of themselves (wellness) and their families? Do policies regarding where, when and how people work emphasise flexibility?
Meaningful work	Do all employees feel that their work is significant? Do they receive recognition for the difference they make in the lives of others?
Growth & Opportunity	Are training and education valued? Do all employees have an opportunity to learn and grow? Does the employer offer career growth potential?
Rewards	Are people paid fairly for the work they do? How well tailored to the needs and interests of the employees are compensation programs? How are employees employed e.g. full-time, part-time, casual?
Making a Difference	Does the employer facilitate opportunities for employees to volunteer their time and expertise to improve life for others--in the local community, around the country, around the world?

Source: The Ryder Self Group, 2005.

4.6.8 Personality type (MBTI) – attraction and retention

One of the key uses for the personality instrument, the Myers-Briggs Type Indicator (MBTI) has been to provide career options for different personality types (Hammer & Macdaid 1992). While based on USA research, the personality types can be compared with Australian research on Australian farmers. Specific to this project is the work by Rod Strachan (2002) on the personality types of station managers and head stockmen employed by the six of the major pastoral companies operating in northern Australia.

Certain personalities are more attracted to certain cultures.

Knowing the culture of the organisation and nature of work required can predict which personality types are more likely to seek employment in those organisations. This will also suggest types that are more likely to remain in those organisations (Hammer 2003). For each MBTI personality type, Hammer outlines:

- Aspects that attract each type to an organisation;
- How to engage and retain each type; and
- Areas for development for each type.

The literature search revealed very little published empirical data and academic literature on attracting and retaining staff in the rural sector and in particular, the pastoral livestock industries. This view is endorsed by Bryant (2006) in her recent unpublished research for the Rural Industries Research & Development Corporation: *"Sustaining rural communities: Recruitment and retention in the mining, food and beverage processing industries."*

Three reports reviewed that address the issue of attracting and retaining staff in the beef, sheep and pastoral wool industries were:

a. Farm Staff 2006 – (Holmes Sackets).
b. Hiring Good Quality Farm Labour – RIRDC (Kondinin Group, 2005).
c. How to become an employer of choice – MLA & Food Tourism and Hospitality Skills SA (Draft).

4.6.9 Insights

The key findings from the three reports, in summary are:

- There is a lack of available data to analyse appropriately the extent and impact of recruitment and retention issues in pastoral livestock industries;
- Results from the employee survey (Holmes Sackets) indicate that 25 per cent of employees are dissatisfied with the hours worked and 21per cent are dissatisfied with the salary;
- The results of the this survey (Holmes Sackets) indicate that the primary reason for choosing employment on the farm was their background (46 per cent), work environment (30 per cent) and career option (26 per cent);
- The top 3 reasons for staying in a job (RIRDC – Kondinin) are:
    - Valuing employers (17 per cent);
    - Job satisfaction (17 per cent); and
    - Understanding workers' expectations and needs (13 per cent).
- The top three reasons for leaving a job (RIRDC – Kondinin) are:
    - Employee was young and wanted to move on (49 per cent);
    - Expectations too high (17 per cent); and
    - Social Isolation (12 per cent).
- Employees are seeking opportunities to contribute to decisions;
- Employers need to broaden their view of the workforce pool; and
- High staff turnover is self-perpetuating. Increased pressure on remaining staff leads to lower morale, impacts on productivity, quality control, safety issues, injury rates and absenteeism.

4.6.10 Gaps identified

While the above studies have made progress in raising knowledge about attraction and retention of staff on Australian farms they still leave gaps in our knowledge. Key factors and gaps are noted below.

- Data is presented at the total farm industry only and there is no disaggregation by industry type (e.g. beef, sheepmeat, pastoral wool), location or enterprise size.

- Data is often represented as frequencies or percentages only; no indication of confidence and significance tests (parametric and non-parametric).
- There is no indication as to the priority order of the issues raised.
- Either no attempt was made to obtain an unbiased sample, or, no details of the sampling strategy is provided.
- Small sample sizes (e.g. 164 employees).
- In some cases only employers were identified to respond to the survey.
- In some cases only current, not ex-employees were identified to respond to the survey.
- Limited information and analysis has been conducted on competitive industries e.g. mining.

4.7 Key points

This literature review identifies a range of factors that have been shown to be linked to staff attraction and turnover in general. These factors suggest some key implications for employers looking to devise effective retention and attraction strategies. Some of the main findings are briefly summarised below.

- Motivation for job change is multidimensional: no one factor will explain it.
- However, the literature points to the likelihood that people who enjoy their work and feel valued are more likely to be retained by their employer. Interesting work therefore serves as both a 'push' factor for employee turnover and a 'pull' factor for employee retention.
- Extrinsic rewards (such as promotion and security) have been found to matter for employee retention.
- It is difficult to set up fair comparisons among the recruiting variables. Many of the predictors in recruiting may be interdependent (that is, applicants might evaluate one piece of information about a position in light of other available information).
- Pay may be a 'threshold factor'. A certain level of pay (the right 'ball park') is needed to recruit and retain. If this level is met, the actual likelihood of attracting or retaining turns much more on other factors (such as organisational commitment, job satisfaction, alternative opportunities and drive for personal growth).
- Work–life balance has been found to be increasingly important for employee recruitment and retention by other researchers.

Importantly, while these factors can help employers understand the likely causes of turnover and the general factors that attract workers, the recruitment and retention strategies adopted within industries and organisations should be specifically targeted at the particular problem they face.

There is very little available information from existing studies about attraction and retention of staff in the Australian context and particularly in the context of Australia's pastoral livestock industries. The studies that have been prepared provide some insight, but also leave many key questions unanswered.

As such, to devise effective strategies, further analysis of the issues affecting attraction and retention in the beef, sheep and wool industries is needed. An analysis that seeks to fill this need is presented in the chapters that follow.

5 The Workforce Survey 2007

5.1 Survey development

Key steps in designing the survey questionnaire were:

- reviewing a number of theories on staff attraction and retention, as well as the contemporary views of employee engagement and its role in employee retention;
- reviewing studies on attracting and retaining staff in the rural sector, including any application of motivational theories;
- mapping the rural industry structure and industry players to identify key stakeholders to conduct qualitative interviews to understand the broader issues facing the industry and current activities or assistance provided to the pastoral livestock industries; and
- conducting qualitative interviews with key stakeholders, rural employment agencies including shearing contractors and pastoral livestock owners, managers, current and former employees to understand key attractors / detractors and the reasons for people leaving their employer or the pastoral livestock industry.

Additional information about the conduct of the study is provided in the Appendices to this report.

5.2 Survey methodology

The draft questionnaire was pre-tested with six farm enterprises, each was asked to distribute the draft survey questionnaire to a cross-section of five employees with a total distribution of thirty questionnaires. Feedback, received from sixteen individuals comprising three owners, six managers and seven operational employees, was positive in that the questionnaire read well and instructions were clear.

Respondents expressed concern at the length of the questionnaire which took between 25 to 40 minutes to complete. Consequently, the Workforce Survey was split into two questionnaires, namely one for Owners/managers and one for non-managerial employees. A few questions were removed or made easier to complete and was renamed as the Workforce Survey 2007.

5.2.1 Survey content

Owners and managers sections of the Workforce Survey provide information about:

- work experience, e.g. employee role(s), length of time in the industry as well as at the particular enterprise;
- reasons for being attracted to the industry and satisfaction with current employment;
- questions about perceived differences between managers and employees;
- socio demographic information about the respondent; and
- information about the business regarding labour needs and the size of the shortage, length of time that it takes to fill a position, time of year when shortages are experienced (i.e. peak and non peak), and anticipated business changes.

Employees at pastoral livestock enterprises answered different parts of the Workforce Survey. These sections collected a rich set of data covering:

- work experience, e.g. employee role(s), length of time in the industry as well as at the particular enterprise;
- satisfaction with current employment;
- reasons for leaving previous employer; and
- socio demographic information about the respondent.

5.2.2 Sample frame

To qualify for the Workforce Survey, enterprises had to employ at least one full-time employee in addition to family members. Contractors were not included. The initial approach to selecting a representative sample was based on applying a levy formula to assist with identifying and removing enterprises most likely employing only family members. From an MLA sample of approximately 10,000 members from the AGM levy database, only 688 qualified using the levy formula. Selecting pastoral wool employers was based on a different levy formula and screening for pastoral areas through postcodes. This yielded potentially 1,003 eligible pastoral wool employers defined as small, medium and large enterprises, although there was a chance that about 500 small enterprises employed only family members. Consequently, out of the 1,003 employers, only about 500 employers were thought to be potentially eligible. Because of the interest in better understanding the extent to which mining is a significant competitor for labour, the sample also targeted 126 employers located near mining activities (identified through postcodes).

5.2.3 Recruitment process

Recruiting employers to participate in the Workforce Survey entailed two waves. The first wave in May 2007 involved recruiting small, medium and large employers through telephone interviews to gauge their eligibility, to invite their participation in the Workforce Survey and ask enterprise details including number of employees. Ultimately, there were 1,346 members from the MLA and AWI databases who had telephone details. All members in the database were telephoned and of the 283 eligible employers (21 per cent), 107 (38 per cent) agreed to participate in the Workforce Survey and 176 refused (62 per cent). Apart from the employers who refused, most of the remaining members only had family working on the farm. The 107 employers employed 443 employees in total.

Major employers (corporate) were recruited from May to August 2007 through email and telephone interviews. Eleven corporate enterprises were contacted and six agreed to participate, namely five Northern Beef and one southern mixed beef and sheep enterprise. It was a lengthy process due to the internal approval process in some of the corporate enterprises. The corporate employers employed 1,256 employees in total.

A second wave of recruitment for small, medium and large enterprises occurred from July to September 2007 using two methods:

- industry specialists recruiting 60 employers by telephone from 130 eligible employers; and
- distributing a postcard insert in 40,000 MLA *Feedback* magazines with an incentive for the first 50 to register by 30 September 2007 via postcard, freecall or the internet.

In total, 750 were eligible for this wave comprising 206 managers and 544 employees.

5.3 Sample achieved and in field experience

Out of the 1,806 Workforce Survey questionnaires distributed in the first wave, 627 were returned (35 per cent response rate), comprising 157 owners / managers and 470 employees in non-managerial roles.
The second wave in which the Workforce Survey had a return deadline of mid-November 2007, yielded an additional 215 returns (29 per cent response rate), comprising 115 owners / managers and 100 employees. The total sample had 842 respondents as a result of the two waves.

The sample profile achieved is outlined in Table 5.1. The majority of respondents were from the red meat industry (n=803) compared to 39 respondents from the pastoral wool industry. Within the red meat industry sector, beef and in particular northern beef, contributed a significant portion of the respondents in the survey.

Table 5.1 **Sample profile by employment status and industry sector**

Industry sector	*Owner / Managing Director*	*Manager*	*Employee*	*Total*
	No.	No.	No.	No.
Northern beef	39	90	420	549
Southern beef	20	26	52	98
Beef	59	116	472	647
Lamb and sheepmeat	23	9	17	49
Mixed beef and sheep	37	25	45	107
Total red meat	119	150	534	803
Pastoral wool	17	5	17	39
Total industry sectors	136	155	551	842

Source: The Ryder Self Group.

The sample of 842 respondents produced highly reliable results with many the significant differences highlighted by the chi-square tests results. These indicate 95 per cent statistically reliable differences i.e. there is a 5 per cent chance that the results are not true. Many of the farm size analysis show a higher level of statistical reliability.

In total, the sample contained 245 employers in the pastoral livestock industry spread across 544 properties of various sizes (Table 5.2). While the target number of employers was 250, achieving 245 employers over a period of seven months was challenging due to drought and floods. While employers and particularly Pastoral Wool employers had agreed initially to participate in the Workforce Survey, about 50 per cent did not complete the survey due to no longer having employees as a result of the drought or had also received other surveys at the same time, including an ABS survey. In the northern region, floods or heavy rains delayed mail both in employees receiving the questionnaires and also when returning them by post.

Table 5.2 **Sample profile by industry sector and property size**

	Red meat	*Pastoral wool*	*Total*
Number of employers	225	20	245
Number of properties	507	37	544
	% of properties		**% employees**
Large — 15+ employees	23	0	57
Medium — 6-14 employees	20	35	14
Small — 5 or less employees	57	65	29

Source: The Ryder Self Group.

The majority of properties were small farms (57 per cent red meat; 65 per cent Pastoral Wool) while the majority of employees worked on large properties (57 per cent). Table 5.3 also indicates how property size is defined. Rather than using herd size or land size, and given the focus is on the dynamics in the organisation, enterprise size has been determined by the number of employees employed. Small enterprises employ 5 or less employees, medium have between 6 and 14 employees and large enterprises are those employing 15 or more employees.
Chi-square tests indicate significant statistical differences between small, medium and large enterprises. These differences are more significant than those for the industry sub-sectors.

Large enterprises have a much younger workforce profile with 57 per cent of employees under 30 years of age compared to 40 per cent for medium and 15 per cent for small. The chi-square coefficient (X^2 = 0.000) indicates a statistically significant difference in the age profile of employees working on different size properties as highlighted in Table 5.3.

Table 5.3 **Age Profile by Property Size**

	Employees under 30	Employees between 40 and 59	Employees over 60
	%	%	%
Large	57	21	7
Medium	40	39	9
Small	15	50	21

A higher proportion of female employees in the sample are younger than male employees. Table 5.4 highlights that 54.7 per cent of females are under 30 years of age compared to 36.5 per cent of males. This could either suggest that younger females entering the pastoral livestock industry is a more recent phenomenon or that a career in the pastoral livestock industry is more suitable to younger females.

Table 5.4 **Age Profile by Gender**

	Male		Female		Total	
	N	per cent	N	per cent	N	per cent
Less than 20 years	66	12.2	39	15.1	105	13.2
20-24	80	14.8	64	24.8	144	18.1
25-29	51	9.5	38	14.7	89	11.2
30-34	38	7.1	18	7.0	56	7.0
35-39	42	7.8	21	8.1	63	7.9
40-44	55	10.2	12	4.7	67	8.4
45-49	46	8.5	22	8.5	68	8.5
50-54	54	10.0	17	6.6	71	8.9
55-59	34	6.3	12	4.7	46	5.8
60-64	46	8.5	12	4.7	58	7.3
65 years or more	27	5.0	3	1.2	30	3.8
Total	**539**		**258**		**797**	

In terms of the age profile for owners/managing directors, managers and employees, it is interesting to observe that there are different modal age profiles for these groups (Table 5.5). The majority of owners/managing directors and managers are much older than non-manager employees, namely:

- 34.3 per cent of owners / managing directors are between 50 and 59;
- 41.4 per cent of managers are between 40 and 49; and
- 60.4 per cent of employees are younger than 30.

Table 5.5 **Age Profile by Employment Status**

	Owner / Director		Managing Manager		Employee (non-managers)	
	N	%	N	%	N	%
Less than 20 years	0	0.0	1	0.7	105	19.4
20-24	0	0.0	1	0.7	149	27.5
25-29	4	3.0	14	9.7	73	13.5
30-34	5	3.7	14	9.7	39	7.2
35-39	7	5.2	20	13.8	37	6.8
40-44	10	7.5	36	24.8	23	4.3
45-49	16	11.9	24	16.6	30	5.5
50-54	29	21.6	18	12.4	26	4.8
55-59	17	12.7	7	4.8	24	4.4
60-64	25	18.7	6	4.1	27	5.0
65 years or more	21	15.7	4	2.8	8	1.5
Grand Total	**134**		**145**		**541**	

It has been established through research that different generations respond to different management styles. Managers in the Veteran and Boomer generations are more likely to adopt a transactional management style. Managers in Gen X and Gen Y are more likely to adopt a transformational leadership style which is also better received by Gen X and Gen Y employees.

Other significant differences in the red meat sample profile are:

- Northern beef employers have a significantly higher non-family full-time workforce (92.8 per cent managers, 93.7 per cent employees) compared to southern beef (70.8 per cent managers, 72.5 per cent employees);
- Lamb and sheep meat employers have the highest proportion of family workers receiving pay (33.3 per cent managers, 23.5 per cent employees) compared to 2.4 per cent to 18 per cent across other industry sub-sectors; and
- 12 per cent of northern beef respondents work in specialist roles which are under-represented in other sub-sectors.

Key differences in the pastoral wool sample profile are:

- Pastoral wool respondents are significantly older compared to red meat respondents:
  - 23 per cent are 30 years or less;
  - 2.6 per cent are between 30 to 39;
  - 17.9 per cent are between 40 to 49; and
  - 56.4 per cent are over 50.
- 89.5 per cent are male compared to 66.5 per cent male for red meat respondents;
- 87.5 per cent are full-time employees;
- Pastoral wool respondents represent a cross-section of roles except for specialists:
  - 19 per cent Managers;
  - 9.5 per cent Supervisors;
  - 42.9 per cent Operational employees;
  - 4.8 per cent Administration employees; and
  - 23.8 per cent Apprentices / Trainees.

5.4 Key Points

This chapter has set out how a sampling strategy has been devised and employed to assess the factors motivating and influencing employees to join, remain in, or leave individual employers in each of the Australian beef, sheep and pastoral wool industries.

The sampling strategy has been adopted to enable multivariate analysis to capture the tangible and intangible factors involved in attraction and retention of labour.

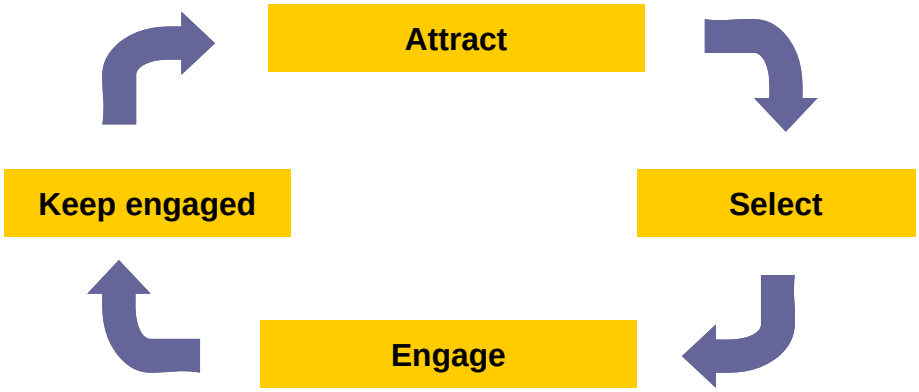
The sampling strategy is sufficient to obtain a satisfactory degree of statistical confidence in the findings at the industry wide level. It spans different sized farms, different types of farms, takes into account factors such as the gender and age of respondents and their role, and other factors. The results indicate that splitting the industry according to farm size resulted in statistically significant results, while results for the livestock sub-sectors were less consistently significant.

6 A people perspective

This chapter reports on the findings obtained from the conduct of the Workforce Survey 2007 focusing mainly upon how personal perspectives are shaping staff attraction and retention in the pastoral livestock industries.

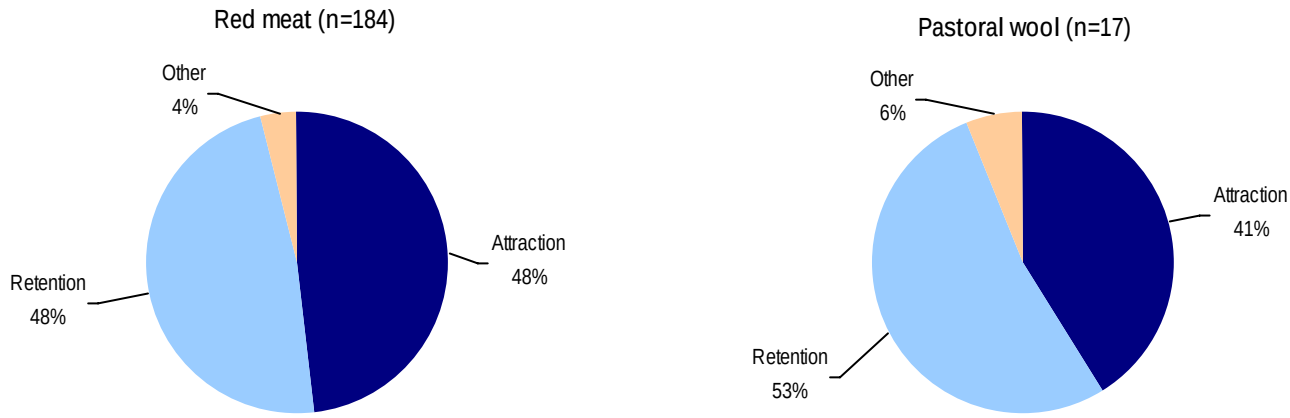
6.1 Attraction, engagement and retention

Leigh Branham outlines the strong link between attracting, engaging and retaining the workforce in his book, *The 7 Hidden Reasons Employees Leave*. All these elements are essential in managing the staff talent pool in an organisation.



Owners/managing directors and managers were asked whether attraction or retention has the greater impact on their business. For those in the red meat sector, the response was split equally between attraction 48 per cent and retention 48 per cent. Slightly more pastoral wool owners/managing directors and managers indicate retention as having the greater impact on their business (Chart 6.1).

Chart 6.1 **Attraction and Retention Impact on Business – Red Meat and Pastoral Wool Comparison**



Other factors that have a significant impact on their business include recruitment for seasonal changes, drought and contract workers.

6.1.1 Attraction to the Pastoral Livestock Industry

Family background, lifestyle, working with animals and outdoors are the key attractions to working in the pastoral livestock industry (Table 6.2). These attractions are consistent for all the industry sub-sectors (chi-square coefficient of $X^2 = 0.683$ indicates there is no significant difference across industry sub-sector responses).

Farm size, however, highlights some significant differences ($X^2 = 0.021$) in these attractors, namely:

- More employees in small farms are attracted by autonomy, working independently and variety in their jobs; and
- More employees in large farms are attracted due to a partner's job being on the farm.

Pastoral wool employees also reported family background (71.4 per cent), lifestyle (42.9 per cent), working with animals (52.4 per cent), working outdoors (52.4 per cent) and variety in jobs as industry attractors.

The attractors to this industry are so strongly related to the very nature of the pastoral livestock operation and associated lifestyle that it is unlikely to expect a large portion of employees being attracted to the mining industry with a sharply contrasting work environment and lifestyle.

Table 6.2 **Top Attractions to the Pastoral Industry by Red Meat Sub-Sectors**

Top Attractions to Pastoral Industry	Northern Beef		Southern Beef		Lamb & Sheepmeat		Mixed Beef & Sheep		Total Red Meat	
	No.	%	No.	%	No.	%	No.	%	No.	%
Family farm background	*272*	57.4	*44*	62.0	*16*	64	*45*	70.3	*377*	59.5
Lifestyle	*276*	58.2	*39*	54.9	*10*	40	*32*	50.0	*357*	56.3
Working with animals	*239*	50.4	*31*	43.7	*10*	40	*34*	53.1	*314*	49.5
Working outdoors	*219*	46.2	*35*	49.3	*17*	68	*33*	51.6	*304*	47.9
Variety in job	*106*	22.4	*19*	26.8	*7*	28	*12*	18.8	*144*	22.7

6.1.2 Attraction to Specific Employers

When employees were asked to indicate what attracted them to a particular employer, there were some significant differences across industry sub-sector responses ($X^2 = 0.02$) as highlighted in Table 6.3.

Significantly more lamb and sheep meat employees were attracted to the nature of animals, outdoor work and variety jobs specifically associated with those employers. Significantly less lamb and sheep meat employees were attracted to the specific reputation of the farm or company.

Significantly more mixed beef and sheep employees were attracted to particular employers due to a family connection or the nature of machinery on a particular property. Significantly less mixed beef and sheep employees were attracted to a particular property due to the reputation of a specific manager at that property.

Table 6.3 **Attractions to Specific Employers by Red Meat Sub-Sectors**

Attractions to employer	Northern Beef		Southern Beef		Lamb & Mixed Sheep		Beef		Total Red Meat	
	No.	%	No.	%	No.	%	No.	%	No.	%
Lifestyle	*163*	39.1	*23*	33.8	*10*	43.5	*25*	40.3	*221*	38.8
Reputation of farm / company	*148*	35.5	*21*	30.9	*4*	17.4	*17*	27.4	*190*	33.3
Working with animals	*118*	28.3	*19*	27.9	*9*	39.1	*22*	35.5	*168*	29.5
Career opportunities	*129*	30.9	*8*	22.8	*5*	21.7	*16*	25.8	*158*	27.7
Working outdoors	*102*	24.5	*12*	17.6	*9*	39.1	*19*	30.6	*142*	24.9
Variety in job	*89*	21.3	*20*	29.4	*8*	34.8	*18*	29.0	*135*	23.7
Family farm background	*67*	16.1	*19*	27.9	*5*	21.7	*19*	30.6	*110*	19.3
Pay and benefits	*76*	18.2	*15*	22.1	*3*	13.0	*9*	14.5	*103*	18.1
Quality of the operation	*72*	17.3	*10*	14.7	*5*	21.7	*12*	19.4	*99*	17.4
Reputation of manager	*74*	17.7	*13*	19.1	*3*	13.0	*3*	4.8	*93*	16.3
Spouse or partner's job is on farm	*57*	13.7	*8*	11.8	*3*	13.0	*4*	6.5	*72*	12.6
Working with machinery	*37*	8.9	*5*	7.4	*2*	8.7	*13*	21.0	*57*	10.0
Autonomy; working independently	*30*	7.2	*11*	16.2	*4*	17.4	*7*	11.3	*52*	9.1
Other	*24*	5.8	*9*	13.2	*0*	0	*3*	4.8	*36*	6.3
Work experience in Year 10	*6*	1.4	*0*	0	*0*	0	*2*	3.2	*8*	1.4
Media portrayal	*5*	1.2	*0*	0	*0*	0	*0*	0	*5*	0.9
Total	***417***		***68***		***23***		***62***		***570***	
	86.0		**14.0**		**4.0**		**10.9**		**100.0**	

10% more than industry average

10% less than industry average

There are significant differences in the attractors to specific employers, by farm size ($X^2 = 0.000$) namely:

- The larger the farm, the more career opportunities are an attraction;
- The smaller the farm, the more variety in job is an attraction;
- More employees on small farms are attracted due to family background;
- Less employees on small farms are attracted to property reputation; and
- More employees on medium farms are attracted by the quality of the operation.

The attractions to pastoral wool employers are outlined in Table 6.4.

Table 6.4 **Attractions to Specific Employers in the Pastoral Wool Industry**

	Pastoral wool	
	No.	%
Reputation of farm / company	*10*	47.6
Variety in job	*8*	38.1
Lifestyle	*7*	33.3
Quality of operation	*6*	28.6
Working outdoors	*5*	23.8
Pay and benefits	*5*	23.8
Reputation of manager	*5*	23.8
Working with animals	*4*	19.0
Career opportunities	*3*	14.3
Family farm background	*3*	14.3
Autonomy; working independently	*3*	14.3
Working with machinery	*2*	9.5
Total	21	

6.1.3 Recruitment Difficulties

Owners/managing directors and managers in the red meat industry consistently (X^2 = 0.152) report the same difficulties in recruiting staff as outlined in Table 6.5. A shortage of skilled people, low wages or salaries and losing skilled workers to mining are reported by nearly 50 per cent of all red meat and pastoral wool employers as the biggest challenges by far.

There are significantly different recruitment difficulties by farm size (X^2 = 0.054). These differences are:

- Low wages are a greater concern for large enterprises than small and medium farms;
- The smaller the farm, the more retirement and an ageing workforce are regarded as problems;
- The smaller the property, the more hard work is raised as a concern; and
- Young people not having a work ethic is a reported by large and medium farms more as a concern.

In the red meat industry, 84 per cent of employees had the job and what was expected of them explained and similarly in the pastoral wool industry (85.7 per cent). There is high satisfaction with the job explanation in the red meat industry (58.2 per cent very to extremely satisfied) (Table 6.6). Pastoral wool employees are also highly satisfied (55.6 per cent) with the job explanation.

Table 6.5 **Recruitment Difficulties by Red Meat Sub-Sectors**

	Northern Beef		Southern Beef		Lamb Sheepmeat		&Mixed & Sheep	Beef	Total Red Meat	
	No.	%	No.	%	No.	%	No.	%	No.	%
Shortage of skilled people	*64*	70.3	*9*	42.9	*18*	78.3	*25*	56.8	*116*	64.8
Wages, salaries are too low	*45*	49.5	*14*	66.7	*8*	34.8	*21*	47.7	*88*	49.2
Losing skilled workers to mining	*55*	60.4	*10*	47.6	*8*	34.8	*13*	29.5	*86*	48.0
Young people do not have strong work ethic	*32*	35.2	*2*	9.5	*5*	21.7	*11*	25.0	*50*	27.9
Lack of skilling up existing workers	*18*	19.8	*3*	14.3	*7*	30.4	*15*	34.1	*43*	24.0
Losing skilled workers to other industries	*16*	17.6	*7*	33.3	*5*	21.7	*9*	20.5	*37*	20.7
Hard work is expected	*17*	18.7	*3*	14.3	*6*	26.1	*11*	25.0	*37*	20.7
Remote location	*25*	27.5	*4*	19.0	*2*	8.7	*6*	13.6	*37*	20.7
Ageing or retiring workforce	*11*	12.1	*3*	14.3	*6*	26.1	*12*	27.3	*32*	17.9
Jobs are not appealing	*7*	7.7	*2*	9.5	*3*	13	*8*	18.2	*20*	11.2
Location is not desirable	*14*	15.4	*1*	4.8	*0*	0	*4*	9.1	*19*	10.6
Other	*4*	4.4	*1*	4.8	*1*	4.3	*3*	6.8	*9*	5.0
Total	**91**	**81.3**	***21***	**18.8**	***23***	**12.8**	***44***	**24.6**	***179***	

10% more than industry average

10% less than industry average

Table 6.6 **Satisfaction with Explanation of Job Expectations by Red Meat Sub-Sectors**

	Northern Beef		Southern Beef		Lamb &Mixed Sheepmeat		Beef &Total Sheep		Red Meat	
	No.	%	No.	%	No.	%	No.	%	No.	%
Extremely dissatisfied	*7*	1.7	*1*	1.5	*1*	4.8	*1*	2.2	*10*	1.8
Very dissatisfied	*8*	1.9	*4*	6.1	*0*	0.0	*0*	0.0	*12*	2.2
Somewhat dissatisfied	*10*	2.4	*0*	0.0	*1*	4.8	*1*	2.2	*12*	2.2
Fairly well satisfied	*169*	40.9	*12*	18.2	*5*	23.8	*8*	17.4	*194*	35.5
Very satisfied	*151*	36.6	*36*	54.5	*9*	42.9	*22*	47.8	*218*	39.9
Extremely satisfied	*68*	16.5	*13*	19.7	*5*	23.8	*14*	30.4	*100*	18.3
Total	**413**	**100.0**	**66**	**100.0**	**21**	**100.0**	**46**	**100.0**	**546**	**100.0**

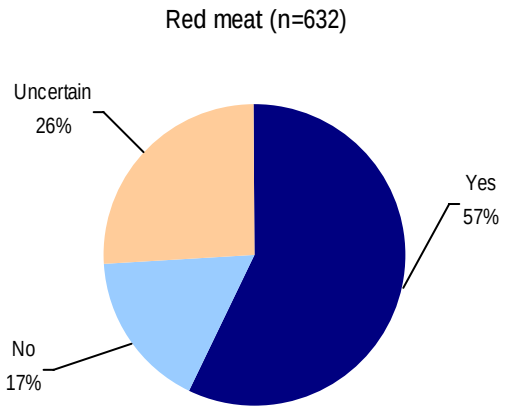
10% more than industry average

10% less than industry average

6.1.4 Future Certainty

Over a half of red meat employees (56.6 per cent) are certain about their future at their farm, station or company as illustrated in Chart 6.7.

Chart 6.7 **Do you see a long-term future at your farm / station / company?**



There are no statistically significant differences in the level of future certainty experienced in the industry sub-sectors ($X^2 = 0.466$):

- Northern beef 55.6
- Southern beef 62.0
- Lamb & sheep Meat 52.2
- Mixed beef & sheep 60.0

Similarly, half (50 per cent) of pastoral wool employees (n=20) are certain about their future, 15 per cent are not and 35 per cent are unsure.

Future employment certainty is significantly different by farm size ($X^2 = 0.002$). Table 6.8 highlights that employees on small farms are significantly more certain about their future than employees on medium and large farms.

Table 6.8 **Do you see a long-term future at your farm / station / company by farm size?**

	Yes %	No %	Unsure %
Large farms	53.4	16.4	30.2
Medium farms	56.2	23.6	20.2
Small farms	70.4	13.9	15.7

An insight gained from the survey is that potentially the longer an employee is with an employer; the more certain they are about their future with their employer. Employees who are certain about their future have been employed for an average of 5.94 years compared to an average of 3.74 years for employees who see no future and an average of 3.46 years for those who are uncertain about their future with their current employer.

6.1.5 Future Expectations

Employees were asked where they see themselves in the next year and in five years' time. There is a significant difference across industry sub-sectors ($X^2 = 0.043$) as outlined in Table 6.9. The northern beef workforce expects the most change over the next 5 years. Southern beef and mixed beef and sheep employees expect slightly less change with significantly higher percentages of employees still expecting to be with the same employer in the same job.

Although 48 per cent of managers indicate problems with losing skilled workers to mining, only 3.3 per cent of current employees consider moving to mining in the next 5 years. This would indicate that the mining industry sector does not currently appear to be a direct threat to the pastoral livestock industry. It is possible that staff mostly likely to be attracted to the mining industry have already left the industry and were not included in the workforce survey. Staff who did expect to be working in the mining industry in the next 1 to 5 years were mostly stationhands (n=5) senior stationhands (n=9), stock person (n=3), bore person or bore mechanics (n=3) and cooks (n=3).

Table 6.9 **Where do you see yourself in the next five years?**

	Northern Beef		Southern Beef		Lamb & Sheepmeat		Mixed Beef & Sheep		Total Red Meat	
	No.	%	No.	%	No.	%	No.	%	No.	%
Same job with the same employer	*51*	11.4	*22*	28.9	*5*	20.8	*22*	33.8	*100*	16.3
Same job with a different employer	*21*	4.7	*2*	2.6	*0*	0.0	*2*	3.1	*25*	4.1
Same job, better qualified	*32*	7.1	*5*	6.6	*2*	8.3	*6*	9.2	*45*	7.3
More senior job	*30*	6.7	*3*	3.9	*1*	4.2	*1*	1.5	*35*	5.7
More senior job, better qualified	*84*	18.7	*9*	11.8	*4*	16.7	*14*	21.5	*111*	18.1
Farm owner	*45*	10.0	*5*	6.6	*4*	16.7	*7*	10.8	*61*	9.9
In a permanent job	*22*	4.9	*3*	3.9	*0*	0.0	*0*	0.0	*25*	4.1
Retired	*35*	7.8	*8*	10.5	*3*	12.5	*3*	4.6	*49*	8.0
Doing a completely different job	*46*	10.2	*4*	5.3	*1*	4.2	*4*	6.2	*55*	9.0
Leaving the industry	*16*	3.6	*3*	3.9	*1*	4.2	*1*	1.5	*21*	3.4
Working in the mining industry	*14*	3.1	*4*	5.3	*1*	4.2	*1*	1.5	*20*	3.3
Becoming a Contractor	*22*	4.9	*3*	3.9	*0*	0.0	*2*	3.1	*27*	4.4
Other	*31*	6.9	*5*	6.6	*2*	8.3	*2*	3.1	*40*	6.5
Total	**449**		**76**		**24**		**65**		**614**	

10% more than industry average

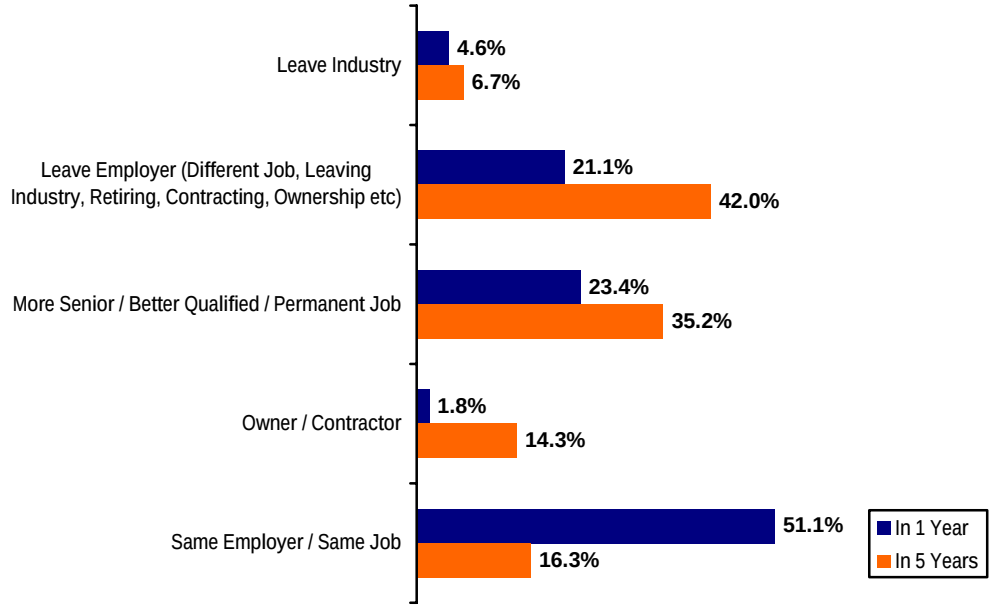
10% less than industry average

Chart 6.10 consolidates employees' responses and compares where they would see themselves in the next year and in the next 5 years. Based on the survey feedback, employers in the red meat sector can expect to lose up to 21 per cent of their workforce in the next year and up to 42 per cent in the next 5 years. According to the ABS in 2006, 8.9 per cent of employees across all industries and occupations ceased a job voluntarily. In the Agricultural, Forestry and Fishing Industry the annual voluntary turnover rate was reported at 4.2 per cent. This clearly highlights that employers in the pastoral livestock industry have a significant challenge in the area of retaining staff compared to other agricultural employers.

In the next five years, Pastoral wool employers can expect to lose up to 35 per cent of their workforce.

Considering this high turnover rate across all industry sectors, it is useful to review the reasons employees left their previous employers.

Chart 6.10 **Red meat sector - where do you see yourself in the next one year…five years?**



6.1.6 Reasons for Leaving Previous Employers

Overall, employees from all red meat industry sub-sectors reported the same reasons for leaving their previous employers ($X^2 = 0.363$). The top four reasons are highlighted in Table 6.11.

Table 6.11 **What caused you to leave your previous employer – Red meat employees**

	% of respondents[a]
Better career opportunities elsewhere	38.0
Uncompetitive wages	20.9
Not feeling valued / lack of recognition of achievements	19.3
Poor leadership and communication from management / supervisors	18.9

[a] n=450

There are some significant differences by farm size in the reasons employees why left their previous employers ($X^2 = 0.083$):

- Lack of recognition is reported more by employees from small and medium farms.
- Employees on large farms reported job duties being boring and unchallenging.
- More employees on medium farms reported working too many hours.
- Employees from small farms reported more often a problem with employer expectations not being clearly communicated to them.

Pastoral wool employees reported a different set of reasons which are more about how they were being managed (Table 6.12).

Table 6.12 **What caused you to leave your previous employer (pastoral wool employees)?**

	% of respondents[a]
Not feeling valued / lack of recognition of achievements	28.6
Better career opportunities elsewhere	21.4
Poor leadership and communication from management / supervisors	21.4
Employer expectations not clearly communicated	21.4

[a] n=14

6.1.7 Reasons for Leaving Mining

A number of respondents (n=30) had left the mining industry, being their previous place of employment. It appears that issues with management were the most dominant reasons for leaving followed by unsuitable lifestyle and lack of job security (Table 6.13).

This would indicate that the management style and lifestyle offered by the pastoral livestock industry are significantly different to the mining industry and more appealing. It also suggests that the mining industry did not have long-term viable options given that those employees have returned to the pastoral livestock Industry.

Table 6.13 **What caused you to leave the mining industry?**

	% of respondents[a]
Disagreement with manager / supervisor	26.7
Poor leadership and communication from management / supervisors	26.7
Unsuitable lifestyle	16.7
Lack of job security	16.7

[a] n=30

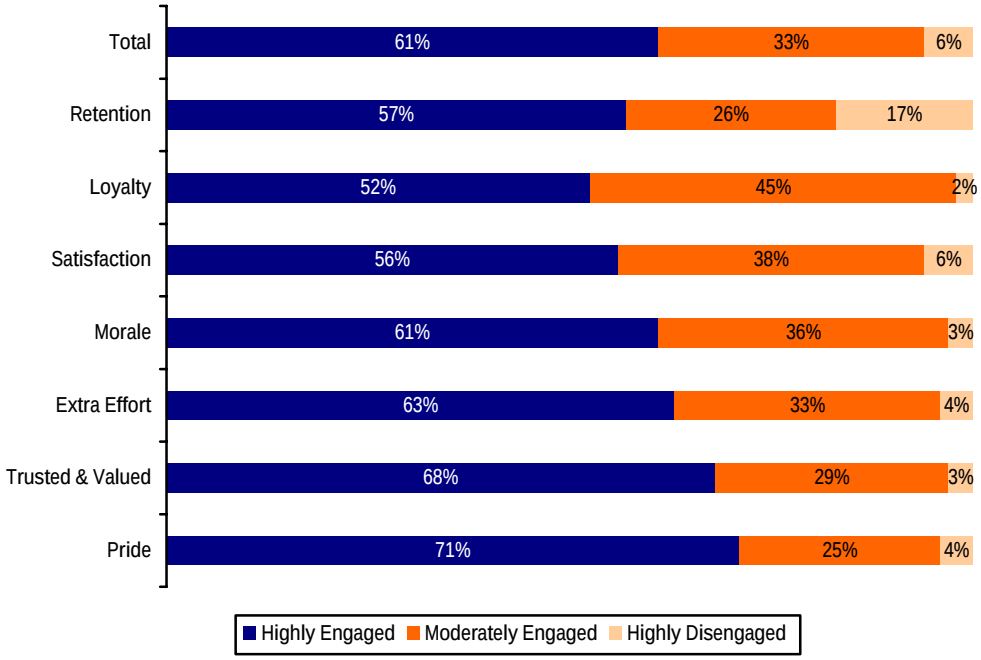
6.1.8 Employee Engagement Levels

Overall 61 per cent of red meat employees are highly engaged, 33 per cent are moderately engaged and 6 per cent are highly disengaged. This compares favourably with the results across all industry sectors reporting only 21 per cent of employees being highly engaged in Australia (Gallup Organization 2006).

It is important to note that Employee Engagement is a multifaceted concept of which staff retention is only one element. Reviewing all seven indicators of employee engagement, retention is currently the only area where a significant component of the workforce is consistently disengaged (Chart 6.14). This apparent discrepancy in the engagement results would therefore suggest that the factors that are driving high engagement (a management style that recognises and encourages their contributions as outlined in Chart 6.20) in the workplace are different from the factors that are driving low retention (lack of career opportunities).

In the larger enterprises especially, the low retention appear to be the result of a young workforce that regard employment on the farm as a short term "adventure" rather than part of a longer term career plan.

Chart 6.14 **Employee Engagement Indicators – red meat employees (n=684)**



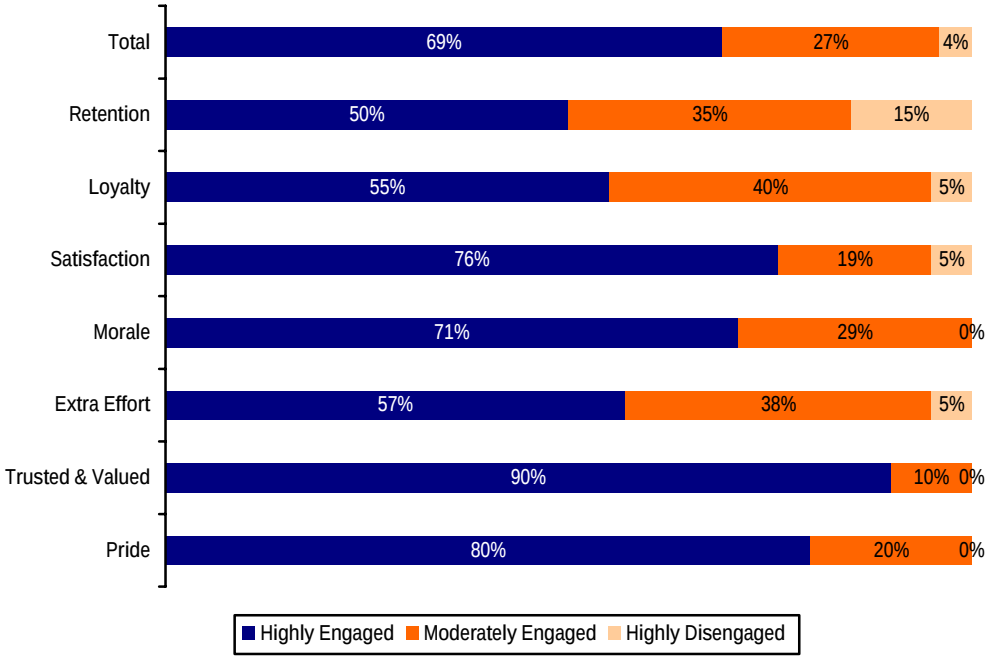
There are some interesting differences in the engagement levels of employees within the various red meat sub-sectors:

- There are different loyalty levels. Southern beef employees are significantly more loyal with 65.3 per cent who would recommend their employers all the time compared to 51.4 per cent in the red meat industry as a whole. ($X^2 = 0.004$);
- There are different satisfaction levels. Southern beef employees are the most satisfied with 71.1 per cent very and extremely satisfied compared to 56.3 per cent in red meat industry as a whole. Lamb and sheepmeat employees are the least satisfied with only 42.3 per cent are very to extremely satisfied. ($X^2 = 0.065$); and
- There are different extra effort levels. Mixed beef and sheep employees are significantly more willing to put in extra effort; 83.8 per cent of employees will always put in extra effort compared to 62.6 per cent in the red meat industry as whole ($X^2 = 0.053$).

Chart 6.15 outlines the engagement levels in the pastoral wool industry. Some key differences compared to the red meat industry are:

- Only 57 per cent of pastoral wool employees report high levels of extra effort compared to 63 per cent of red meat employees;
- 90 per cent of pastoral wool employees are highly engaged on the indicator 'feeling trusted and valued' compared to 68 per cent of red meat employees; and
- 80 per cent of pastoral wool employees are highly engaged on the indicator 'pride in their employer' compared to 71 per cent of red meat employees.

Chart 6.15 **Employee Engagement Indicators – pastoral wool employees (n=22)**

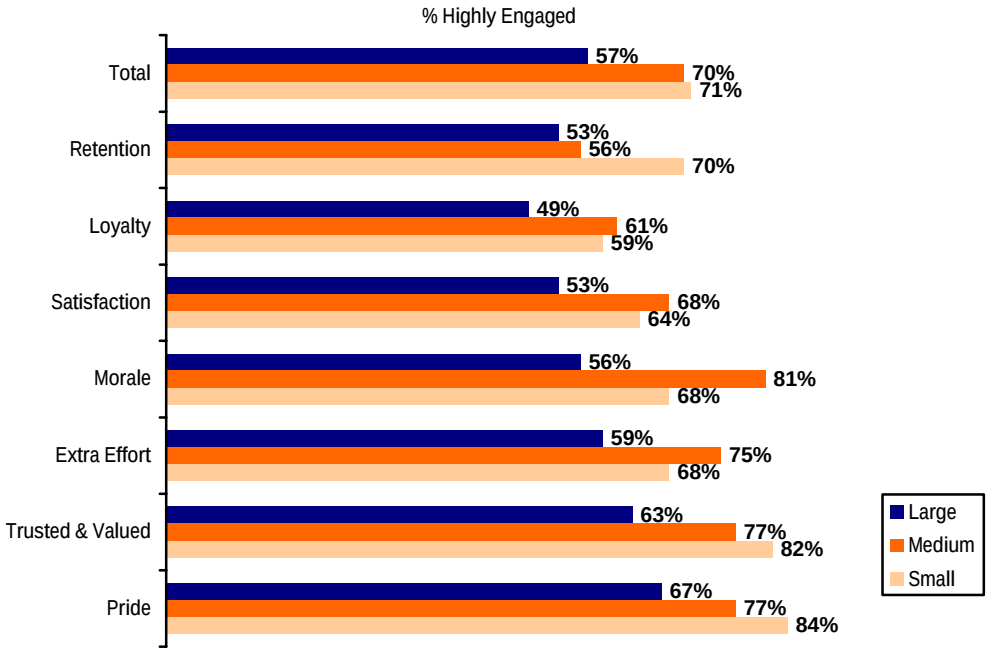


In terms of farm size, there are some significant differences in the percentage of highly engaged red meat employees (Chart 6.16), namely:

- Retention - Large and medium farm employees report lower levels of certainty ($X^2 = 0.002$).
- Loyalty - Large farm employees are significantly less loyal ($X^2 = 0.031$).
- Satisfaction - Large farm employees are significantly less satisfied with their jobs ($X^2 = 0.043$).
- Morale - Medium farm employees report significantly higher levels of morale ($X^2 = 0.001$).
- Extra effort - Large farm employees report significantly lower levels of extra effort ($X^2 = 0.071$).
- Trusted and valued - Large farm employees feel significantly less trusted and valued ($X^2 = 0.000$).
- Pride - Large farm employees have significantly less pride in their employer ($X^2 = 0.001$).
- Employer Performance in Employee Engagement and Satisfaction

The Employee Engagement Index (EEI) and Employee Satisfaction Index (ESI) are measures of how well employers perform in engaging and satisfying their employees. The EEI and ESI levels reported in the pastoral livestock industry overall are very high, indicating that the survey had a high proportion of best practice employers. With significantly higher levels of performance being reported in industry sectors where response rate is lower (i.e. pastoral wool and southern beef), it is possible that only higher performing employers from these sectors participated in the survey.

Chart 6.16 **Employee Engagement Indicators Comparison by Farm Size – Red Meat employees (n=684)**



Although all the indicators are already very positive, Chart 6.17 highlights that medium and small farms perform even higher at engaging and satisfying their employees compared to large farms.

6.1.9 Employee Expectations and Perceptions of Performance

Red meat employees are highly satisfied due to their expectations being met to a high degree (performance gaps are smaller than -20 on all top 10 employee expectations. Red meat employees' top expectations are feeling trusted and valued and having a clear understanding of what is expected from them at work (Chart 6.18). Being able to develop and develop their skills and abilities ranked third highest. This highlights the importance of training and development strategies across the industry as a whole.

Chart 6.17 **Employee Engagement Index (EEI) & Employee Satisfaction Index (ESI) Comparison**

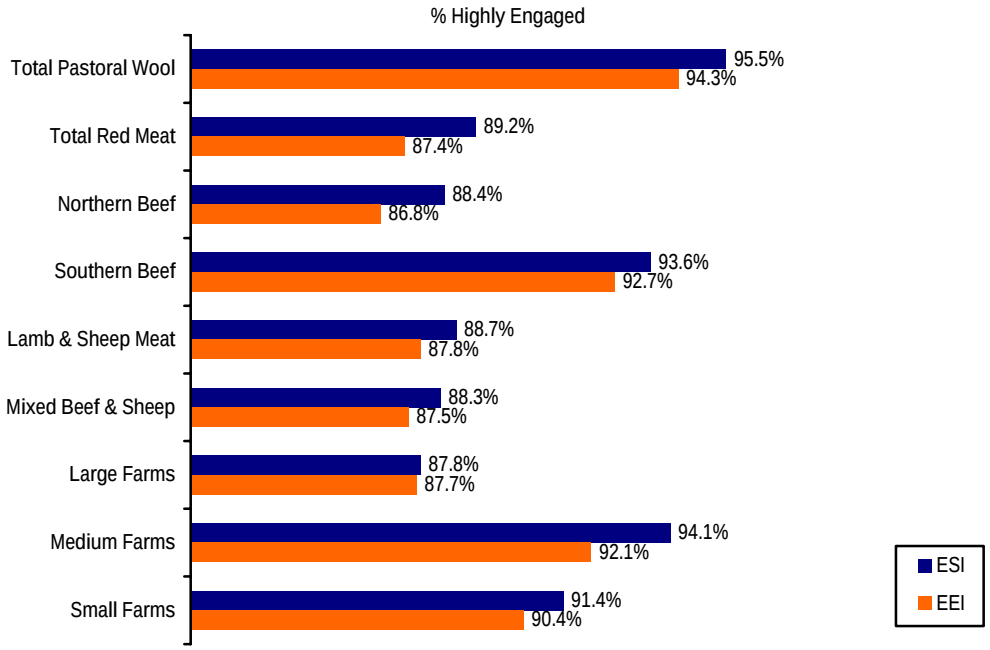
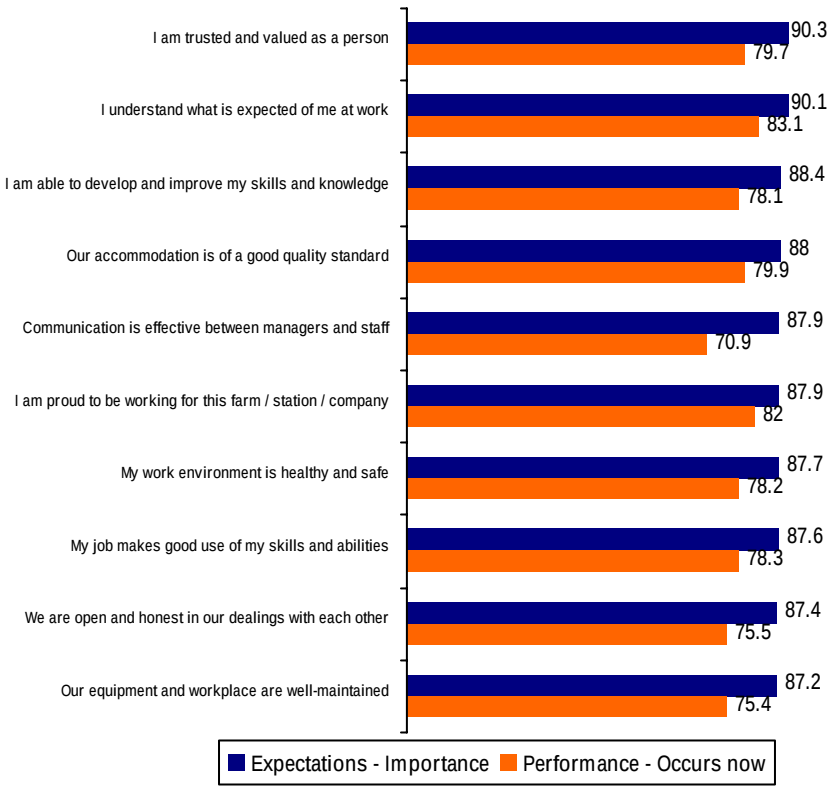


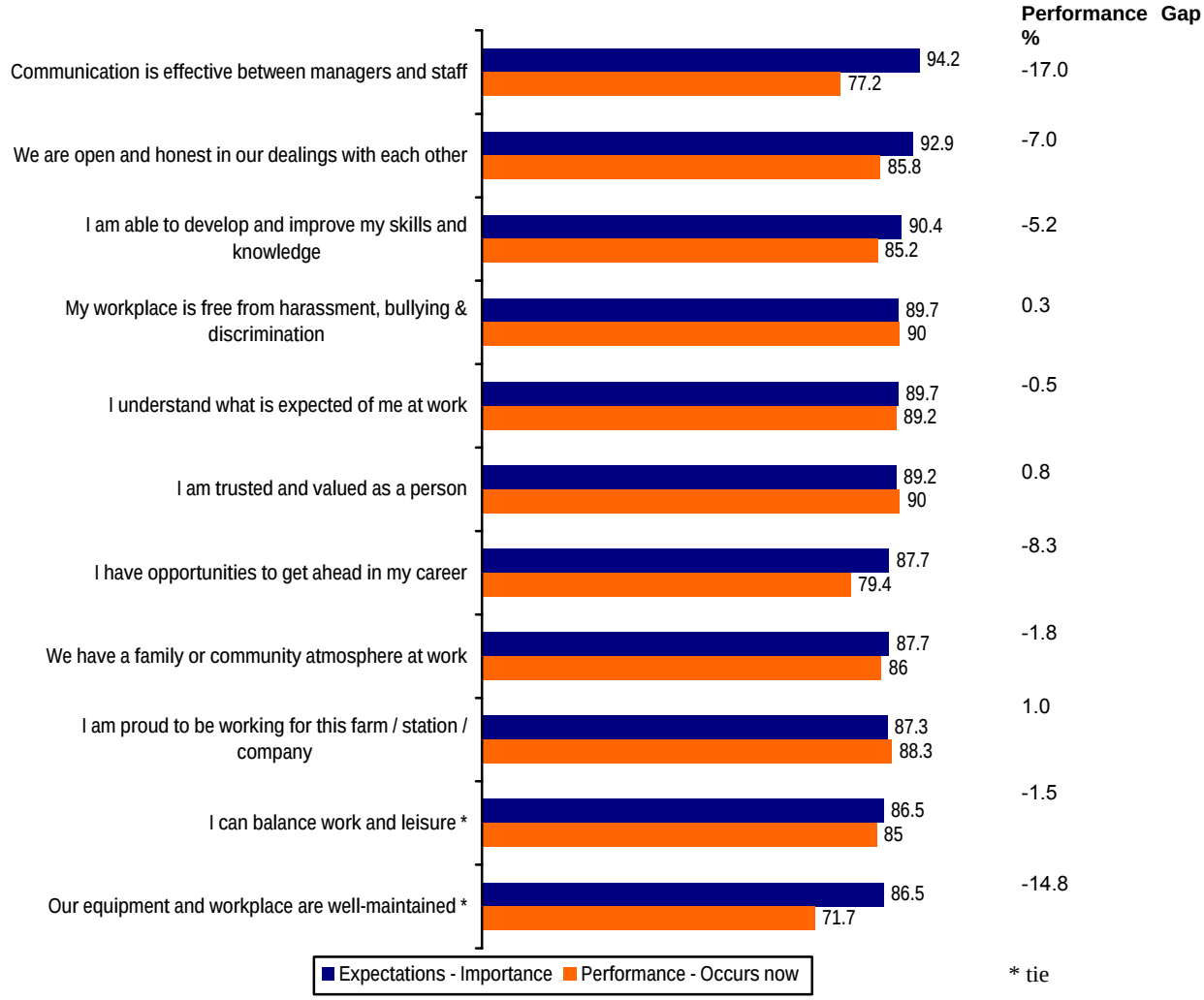
Chart 6.18 **Red meat (n=684) - Expectations & Performance (rational)**



Performance Gap %[i]
-10.6
-7.1
-10.3
-8.1
-16.9
-5.9
-9.6
-9.4
-11.9
-11.9

Pastoral wool employees' expectations are met to a high degree on all top 10 employee expectations (performance gaps are less than -20). Pastoral wool employees place most value on effective communication and open and honest dealings (Chart 6.19). Being able to develop and develop their skills and abilities also ranked third highest. Once again this highlights the importance of training and development strategies across the industry as a whole.

Chart 6.19 **Pastoral Wool (n=22) - Expectations & Performance (rational)**



6.1.10 Drivers of Employee Engagement

A correlation analysis with all engagement indicators, using Pearson's correlation coefficient, identifies contributing factors to high levels of employee engagement. This highlights that for red meat employees, a management style that recognises and encourages their contributions makes a significant impact on employee engagement (Chart 6.20). Pride in their employers, fair and consistent employment conditions and a family atmosphere at work also play a role in ensuring employees are highly engaged.

In Chart 6.21, pastoral wool employees report being trusted to get on with the job, receiving recognition and performance feedback as characteristic of a management style that contributes to high levels of engagement. Pride in their employer, attractive employment conditions including quality accommodation also play a role.

Chart 6.20 **Contributing Factors to High Levels of Engagement – Red Meat**

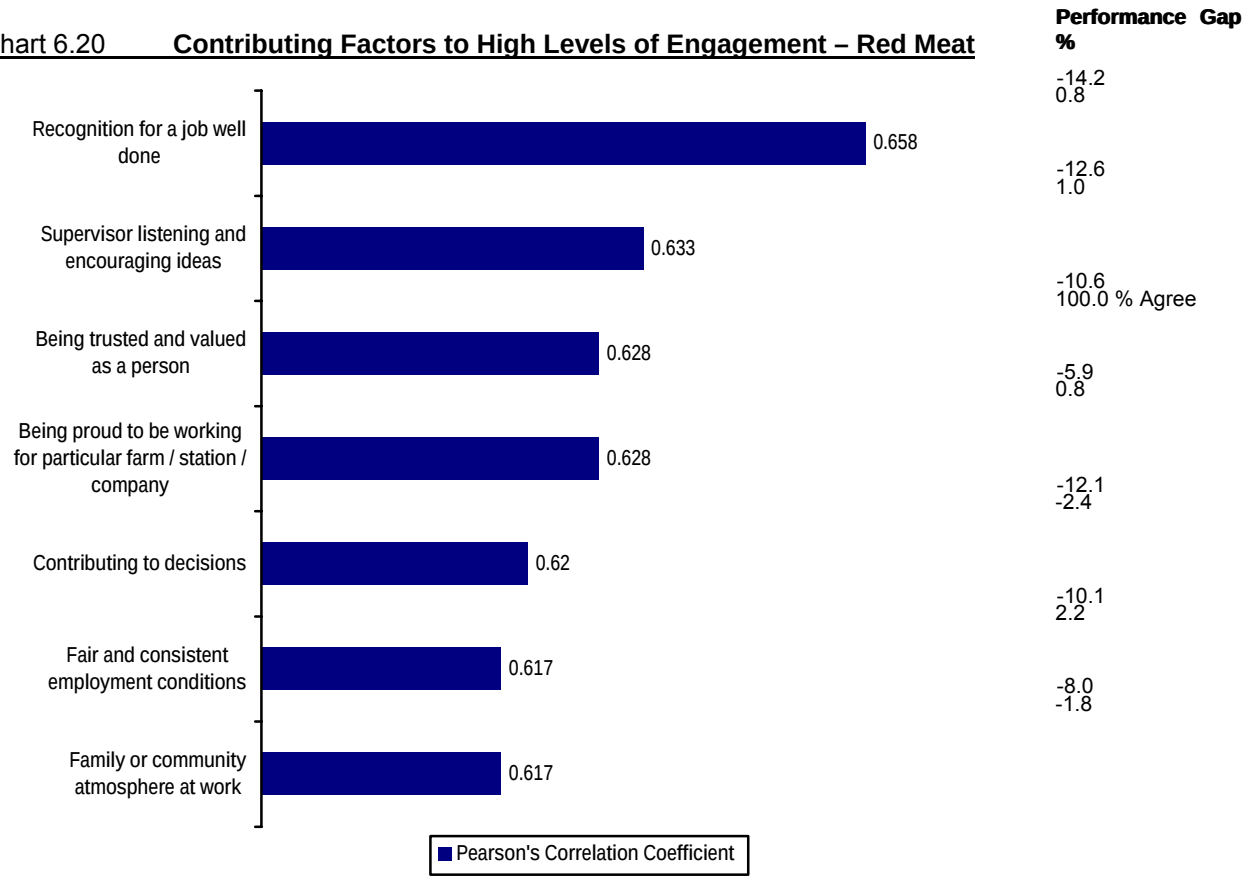
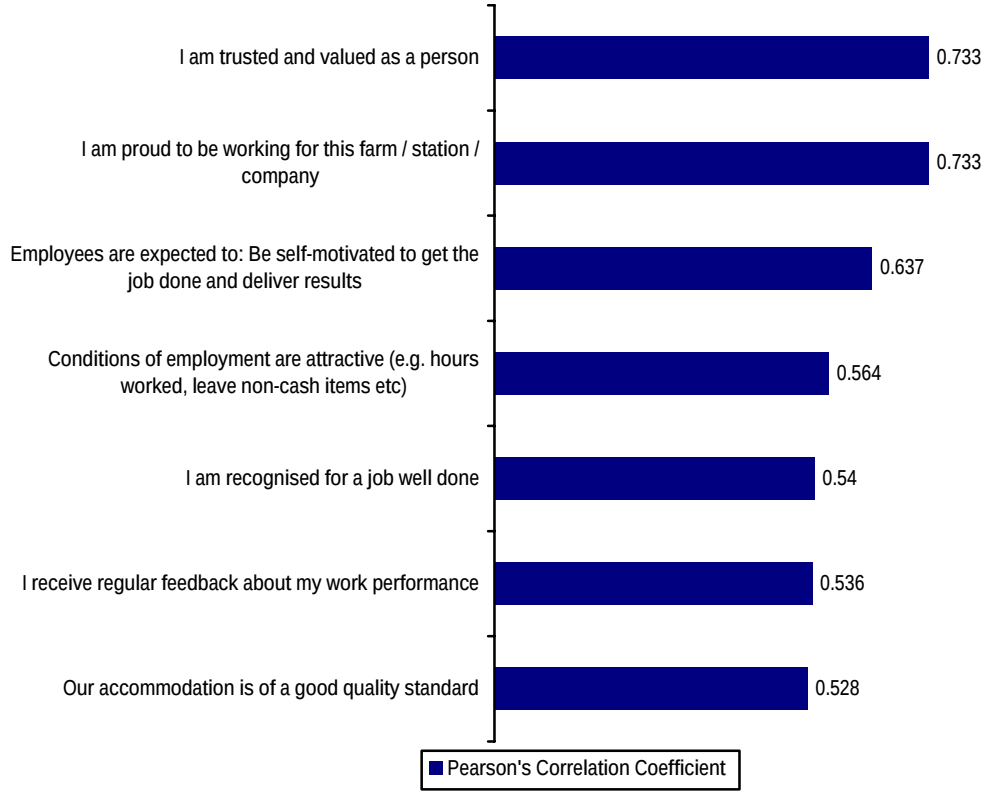


Chart 6.21 **Contributing Factors to High Levels of Engagement – Pastoral Wool**



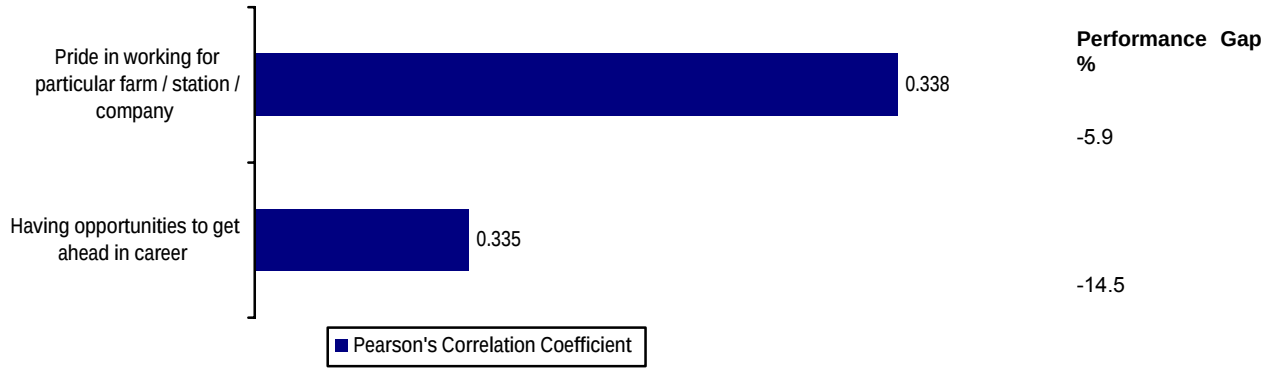
6.1.11 Drivers of Employee Retention

A correlation analysis with the level of future certainty, using Pearson's correlation coefficient, is used to identify contributing factors to high levels of employee retention. It is clearly illustrated in Chart 6.22 that pride in employer and career opportunities are the strongest drivers of retention levels for red meat employees.

Different links with retention are identified for employees working on different sized farms:

- Large farms - loyalty (0.368), career opportunities (0.359) and pride in the farm (0.351) have the strongest links with retention.
- Medium farms - management focus on staff development and support (0.365), job satisfaction (0.342) and career opportunities (0.335) have the strongest links with retention.
- Small farms - being trusted and valued (0.364), open and honest dealings (0.335) have the strongest links with retention.

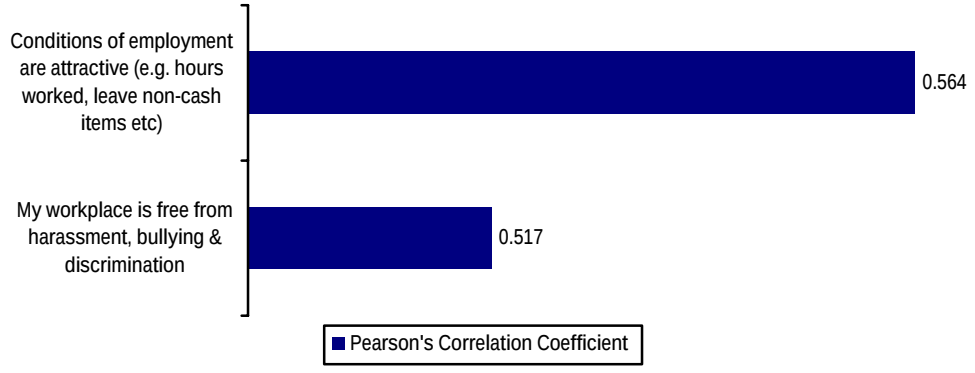
Chart 6.22 **Contributing Factors to High Levels of Retention – Red Meat**



Considering these results, it is important to highlight that although career opportunities, personal development and training must play a key role in securing employees for the long-term, employers can also improve retention through focusing on developing staff loyalty, pride in their farm and satisfaction with their job.

Key in retaining staff in the pastoral wool industry are attractive employment conditions and a workplace free from harassment (Chart 6.23).

Chart 6.23 **Contributing Factors to High Levels of Retention – Pastoral Wool**



6.1.12 Sustaining Employee Engagement

Although high levels of engagement and satisfaction currently exist in the pastoral livestock industry, the level of hours worked suggests that high levels of engagement and satisfaction may not be sustainable in the long-term.

Number of hours worked is just one aspect of work that determines its level of sustainability for the employee. Other factors such as the pressure to work fast and hard, having insufficient time to perform expected tasks, being able to complete many tasks at the same time and highly repetitive work also increase the level of risk associated with a particular job. Standards set by the European Union suggest that working more than 48 hours per week poses a risk to individual health and well-being.

According to the Centre for Employee Value™ (a division of The Ryder Self Group), "employee sustainability measures the ability of individuals to perform effectively at work, day after day, while also enjoying a quality of life".

Table 6.24 outlines the number of hours worked in the red meat industry by all employees and managers and the level of sustainability associated with the specific number of hours worked.

Table 6.24 **Hours worked per week and Level of Sustainability – Red Meat**

Hours worked per week	N	% of respondents	Level of Sustainability
< 20 hours	16	2.1	
20 to 30	16	2.1	Highly Sustainable
31 to 40	55	7.2	
41 to 50	194	25.4	Moderately Sustainable
51 to 60	199	26.0	
61 to 70	171	22.4	At Risk
> 70 hours	106	13.9	

Source: The Ryder Self Group.

In total, 62 per cent of the red meat workforce is at risk and 12 per cent work in a highly sustainable way (Chart 6.25). Analysing work hours across red meat industry sub-sectors highlights some significant differences in the levels of risk ($X^2 = 0.000$), namely:

- Northern beef (66.9 per cent);
- Southern beef (48.9 per cent);
- Lamb and sheep meat (60.4 per cent); and
- Mixed beef and sheep (51.5 per cent).

Chart 6.25 **Level of Sustainability – Red Meat**

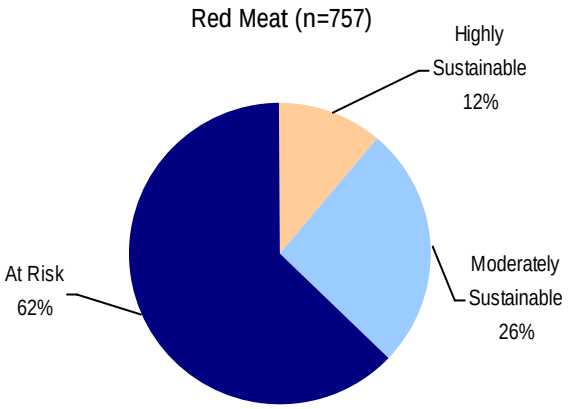


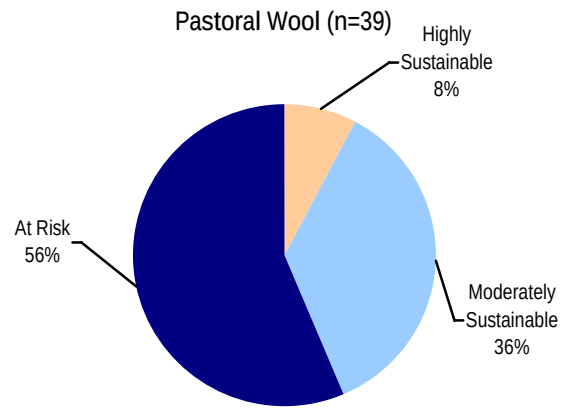
Table 6.26 and Chart 6.27 demonstrate that 56 per cent of pastoral wool employees are at risk and 8 per cent work in a highly sustainable way. In total, 89.2 per cent of pastoral wool employees work 46 to 52 weeks per year compared to 67.4 per cent of red meat employees.

Table 6.26 **Hours Worked Per Week and Level of Sustainability – Pastoral Wool**

Hours worked per week	N	% of respondents	Level of Sustainability
< 20 hours	0	0.0	
20 to 30	0	0.0	Highly Sustainable
31 to 40	3	7.7	
41 to 50	14	35.9	Moderately Sustainable
51 to 60	12	30.8	
61 to 70	6	15.4	At Risk
> 70 hours	4	10.3	

Source: The Ryder Self Group.

Chart 6.27 **Level of Sustainability – Pastoral Wool**



An analysis of the sustainability levels across employees working on different farm sizes is summarised in Table 6.28.

Table 6.28 **Hours Worked Per Week by Farm Size**

Hours worked per week	Large		Medium		Small		
	N	%	N	%	N	%	Level of Sustainability
< 20 hours	6	1.3	1	0.9	9	3.9	
20 to 30	5	1.1	1	0.9	10	4.3	Highly Sustainable
31 to 40	17	3.8	13	11.2	26	11.3	
41 to 50	116	25.7	29	25.0	62	26.8	Moderately Sustainable
51 to 60	117	25.9	32	27.6	61	26.4	
61 to 70	114	25.2	22	19.0	40	17.3	At Risk
> 70 hours	71	15.7	17	14.7	22	9.5	

Source: The Ryder Self Group.

This highlights that more employees from large farms are at risk while more employees from small farms are working in a highly sustainable way (X^2 = 0.000). Overall, the percentages of employees at risk for different farm sizes are:

- Large (66.8 per cent);
- Medium (61.2 per cent); and
- Small (53.2 per cent).

The number of weeks worked by employees across various farms sizes is also significantly different (X^2 = 0.000). The percentages of employees who work 46-52 weeks per year by various farm sizes are:

- Large (55.8 per cent);
- Medium (83.9 per cent); and
- Small (85.7 per cent).

Although a significantly larger number of employees from large farms are at risk, they do appear to work less weeks per year. This will enhance the overall sustainability of their work at a physical level. The financial and job security implications of a shorter working year needs to be considered for employees working on larger properties. A significant portion of employees from medium and small properties are also at risk and more likely to work a full year. The combination of long working hours and a full working year is more likely to result in employee burnout.

6.1.13 Effective Retention Strategies

Managers were asked to identify the most effective retention strategies used so far. The top three retention strategies most red meat and pastoral wool managers consistently reported were salary increases, flexible working hours and providing employees with training and qualifications. There are some significant differences across industry sub-sectors (X^2 = 0.056) and are highlighted in Table 6.29.

Succession planning provides some certainty and in family owned businesses, succession planning is documented and clearly agreed by significantly less employers in northern beef (28.6 per cent) compared to southern beef (40.3 per cent), lamb and sheep meat (54.2 per cent) and

mixed beef and sheep (65 per cent) (X^2 = 0.003). In pastoral wool, succession planning is documented and clearly agreed by 36.8 per cent of employers.

Employers reported that increasing salaries is an effective retention strategy (Table 6.29). This is an important finding and has significant implications for the industry as a whole. In addition to increasing salary, there are some distinctly different retention strategies by farm size (Table 6.30). Large farms focus more on providing training, qualifications and career paths. Medium farms focus on providing training and qualifications and also offer the benefits of flexible working hours and upgrading their accommodation. The smaller farms offer flexible working hours and time in lieu. Given the sustainability risks associated with working on medium and small farms, offering flexible working hours would be an effective retention strategy.

Table 6.29 **Effective Retention Strategies by Red Meat Industry Sub-Sectors**

Effective Retention Strategies	Northern Beef		Southern Beef		Lamb & Sheepmeat		Mixed Beef & Sheep		Total Red Meat	
	No.	%	No.	%	No.	%	No.	%	No.	%
Increasing salary	55	60.4	18	64.3	17	68.0	37	78.7	127	66.5
Allowing flexible working hours	40	44.0	15	53.6	15	60.0	33	70.2	103	53.9
Providing training, qualifications	42	46.2	9	32.1	7	28.0	23	48.9	81	42.4
Upgrading accommodation	36	39.6	10	35.7	3	12.0	8	17.0	57	29.8
Providing career paths	33	36.3	6	21.4	4	16.0	12	25.5	55	28.8
Providing time off in lieu of hours worked	21	23.1	8	28.6	7	28.0	17	36.2	53	27.7
Providing air conditioning	15	16.5	0	0.0	1	4.0	0	0.0	16	8.4
Reducing work hours	7	7.7	2	7.1	1	4.0	3	6.4	13	6.8
Other	5	5.5	3	10.7	3	12.0	2	4.3	13	6.8
Providing option for volunteering	3	3.3	2	7.1	0	0.0	1	2.1	6	3.1
Changing manager or supervisor	1	1.1	0	0.0	1	4.0	0	0.0	2	1.0
Total	91		28		25		47		191	

10% more than industry average

10% less than industry average

Table 6.30 **Effective Retention Strategies by Farm Size**

	Large		Medium		Small	
	No.	%	No.	%	No.	%
Providing training, qualifications	37	67.3	17	48.6	32	27.1
Providing career paths	29	52.7	4	11.4	25	21.2
Allowing flexible working hours	14	25.5	16	45.7	82	69.5
Reducing work hours	6	10.9	2	5.7	5	4.2
Providing time off in lieu of hours worked	8	14.5	11	31.4	37	31.4
Increasing salary	41	74.5	22	62.9	74	62.7
Providing air conditioning	6	10.9	3	8.6	9	7.6
Upgrading accommodation	20	36.4	14	40	31	26.3
Changing manager or supervisor	1	1.8	0	0	1	0.8
Providing option for volunteering	1	1.8	0	0	5	4.2
Other	3	5.5	1	2.9	13	11.0
Total	**55**		**35**		**118**	

Top Retention Strategies

6.2 Organisational Culture in the Pastoral Livestock Industry

The Ryder Self Group uses its proprietary model PACE to map organisational cultures. Chart 6.31 illustrates the four possible organisational cultures. Each of the four organisational cultures is associated with an ultimate objective, namely:

- Partnership → Cohesion.
- Administration → Efficiency.
- Commercial → Achievement.
- Entrepreneurial → Growth.

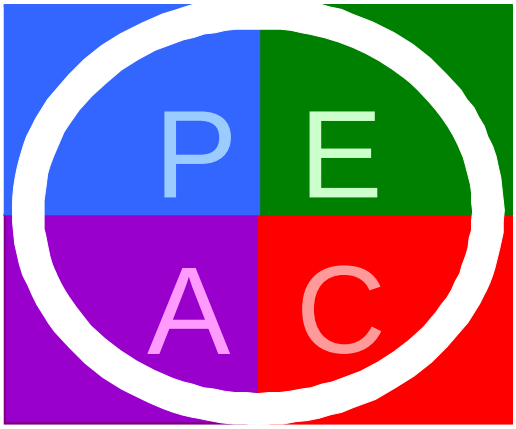
Chart 6.31 **PACE Organisational Culture**

Partnership

- Managers are concerned with developing individuals and building a supportive environment
- Employees cooperate, work well with others and support the team

Administration

- Managers are concerned with Procedures, rules, budgets and the "bottom line"
- Employees work efficiently following rules and procedures



Entrepreneurial

- Managers are concerned with the business' future direction and opportunities for growth
- Employees are flexible & strive to find new and better ways of doing things

Commercial

- Managers are concerned with setting performance targets and achieving results
- Employees are self motivated and committed to getting the job done

Most organisational cultures are dominated by one or two of the four cultures.

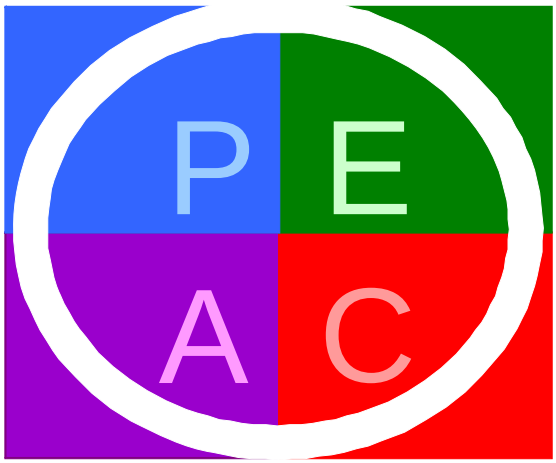
In this particular diagram, the managers' key focus and the most common way employees work are described for each of the four PACE cultures.

It often happens that the organisational culture does not achieve its purpose and when these cultures are not working well, they can become dysfunctional. The "dark side" of each of the four cultural profiles is described in Chart 6.32.

Chart 6.32 **PACE Dysfunctional Culture – When Culture is not working well**

Partnership
- Cliquey with favouritism ('boys club' etc)
- 'Corrupt' practices are tolerated – things are kept hidden in the 'family'
- Internally focused and become irrelevant to the market
- Managers are highly political

Administration
- Bureaucracy runs rife
- Systems and procedures become cumbersome, slow and inadequate
- Analysis paralysis
- High blame element
- Overburdened with paperwork
- People are not trusted
- Highly resistant to change
- Cost cutting with 'corporate anorexia'
- Managers are highly autocratic



Entrepreneurial
- Initiative fatigue from too many projects starting and not finishing
- Individuals feel 'spun out' with too many new challenges
- High level of failure with going down blind alleys
- Managers are disconnected from staff and defocused

Commercial
- Burnout from a very demanding environment
- High competitive behaviour amongst individuals
- 'Public hangings' for poor performers
- Managers are highly aggressive and prone to 'head kicking"

The four PACE descriptions of the current and preferred management culture are presented in Table 6.33. Employees and managers rate how strongly they agree that a particular management culture currently exists in their work environment. They also indicate which management culture they prefer in their work environment. In the tables and charts below a cultural index is calculated to indicate the relative weights out of 100 for the current and preferred culture for the four different management cultures for the red meat and pastoral wool Industries.

Table 6.33 and Chart 6.34 indicate that red meat managers' dominant focus is on performance and opportunities for growth. Pastoral wool managers appear to be more focused on teams, development and support.

Table 6.33 **Management Culture – Red Meat and Pastoral Wool Comparison**

		Red Meat		*Pastoral Wool*	
	Managers are concerned with…	Current *Culture*	Preferred *Culture*	Current *Culture*	Preferred *Culture*
A	Procedures, rules, budgets and the "bottom line"	***23.7***	***14.4***	***18.8***	***12.1***
E	The business' future direction and opportunities for growth	***27.0***	***27.2***	***26.1***	***39.4***
P	Developing individuals, building teams & a supportive environment	***22.2***	***32.5***	***29.0***	***18.2***
C	Setting performance targets and achieving results	***27.1***	***25.8***	***26.1***	***30.3***

Note: The highest weights out of 100 in the tables below have been underlined to flag the most dominant cultural forces.

Chart 6.34 **Management Culture – Red Meat and Pastoral Wool Comparison**

Red meat respondents prefer managers to focus more on developing individuals, teamwork and building a supportive work environment. Pastoral wool respondents prefer management to focus more on the business' future direction and opportunities for growth.

Employees work co-operatively, efficiently and are self-motivated (Table 6.35 and Chart 6.36). They prefer greater autonomy to get the job done as well as greater cooperation.

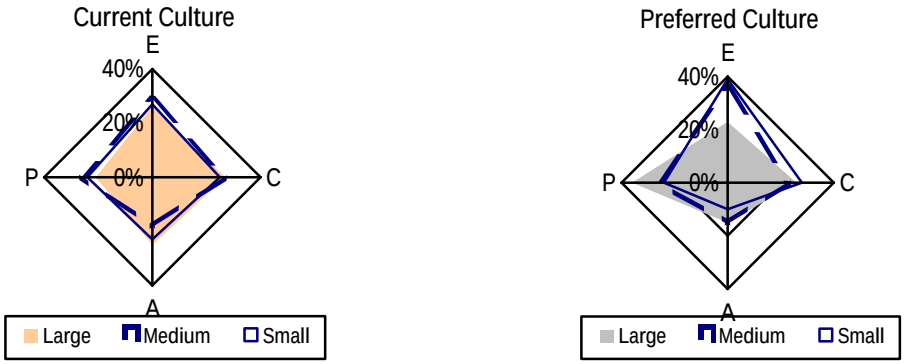
Table 6.35 **Employee Culture – Red Meat and Pastoral Wool Comparison**

		Red Meat		*Pastoral Wool*	
	Employees are expected to…	Current *Culture*	Preferred *Culture*	Current *Culture*	Preferred *Culture*
A	Work efficiently following rules and procedures	***25.6***	***15.4***	***23.5***	***13.5***
E	Be flexible & strive to find new and better ways of doing things	***22.9***	***20.7***	***24.7***	***18.9***
P	Co-operate, work well with others and support the team	***25.8***	***30.9***	***25.9***	***29.7***
C	Be self motivated to get the job done and deliver results	***25.8***	***33.0***	***25.9***	***37.8***

Chart 6.36 **Employee Culture – Red Meat and Pastoral Wool Comparison**

Farm size provides more significant insights into culture than by industry sub-sector. Although managers' dominant focus is on performance, business direction and growth, managers in medium and small organisations are under greater pressure to focus on future direction and growth opportunities (Chart 6.37). Large organisations have less of a focus on staff development, support and team work. As a result, employees in large organisations expressed a greater need for this in their preferred management culture.

Chart 6.37 **Management Culture by Farm Size**



Employee culture in large organisations is mostly dominated by employees working efficiently, following rules and procedures (Chart 6.38). In medium and small enterprises, employees work more co-operatively. Employees in large organisations expressed the need for a more co-operative work environment while employees in small and medium enterprises expressed the need for a work environment where they can work more autonomously to get the job done.

Overall, the cultural differences by farm size highlight the need for large enterprises to focus more on staff and medium and small enterprises to focus more on business growth and sustainability.

Chart 6.38 **Employee Culture by Farm Size**

Table 6.39 contains a consolidation of the management and employee culture into an overall cultural profile, highlighting red meat is achievement and performance oriented. At a cultural level, there is cultural tension between a greater need for a supportive and cohesive culture and the need for commercial performance. Pastoral wool has an even higher need to perform commercially and look for growth opportunities.

Table 6.39 **Total Culture – Red Meat and Pastoral Wool Comparison**

		Red Meat		Pastoral Wool	
	Managers are concerned with…	Current *Culture*	Preferred *Culture*	Current *Culture*	Preferred *Culture*
A	Administration	24.6	14.9	21.1	12.8
E	Entrepreneurial	24.9	24.0	25.4	29.2
P	Partnership	24.0	31.7	27.5	24.0
C	Commercial	26.4	29.4	26.0	34.1

In Chart 6.40, respondents report significantly lower preferences for the Administration culture compared to the current culture and may indicate there are inefficiencies in the culture which are time consuming.

Analysing the culture profiles across the four red meat industry sub-sectors delivered highly similar results which may be due to:

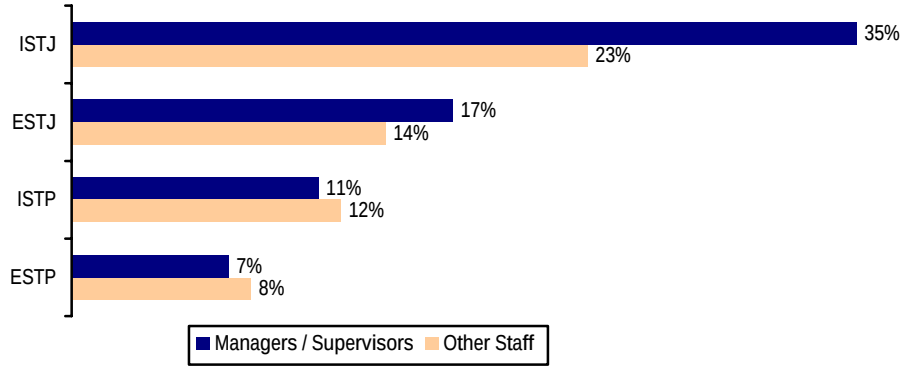
- Aggregating various organisational cultures from individual companies across the industry; or
- The presence of very similar organisational cultures across all red meat farms / stations / companies.

Chart 6.40 **Total Culture – Red Meat and Pastoral Wool Comparison**

6.2.1 Personality Profiles in the Pastoral Livestock Industry

Significant insights into an individual's motivation were gained through analysing a database of 1,338 MBTI profiles in the beef industry compiled by Jabiru Human Resource Services. The four most common MBTI profiles were consistent for Managers and other staff and are summarised in Chart 6.41.

Chart 6.41 **Four most common MBTI profiles in the Beef Industry (n=1338)**



Based on Allen L Hammer in his book *Type and Retention*, the preferred organisational culture for these four types is summarised as follows:

ISTJ – preferred organisational culture:

- Experience is valued and rewarded.
- Formal policies and procedures are relied on.
- Responsibilities are clearly defined.
- Everyone works hard.

ESTJ – preferred organisational culture:

- Clear roles and responsibilities.
- Clear path for advancement.
- People are focused on achievement and bottom line.
- Status and power are respected.

ISTP – preferred organisational culture:

- Efficient and productive.
- Easygoing with a lot of autonomy.
- Deals with problems immediately.
- Action oriented.

ESTP – preferred organisational culture:

- Lots of activity and external stimulation.
- Rewards risk taking.
- Active, energetic people.
- Immediate, project oriented.

6.2.2 Cultural Alignment in the Pastoral Livestock Industry

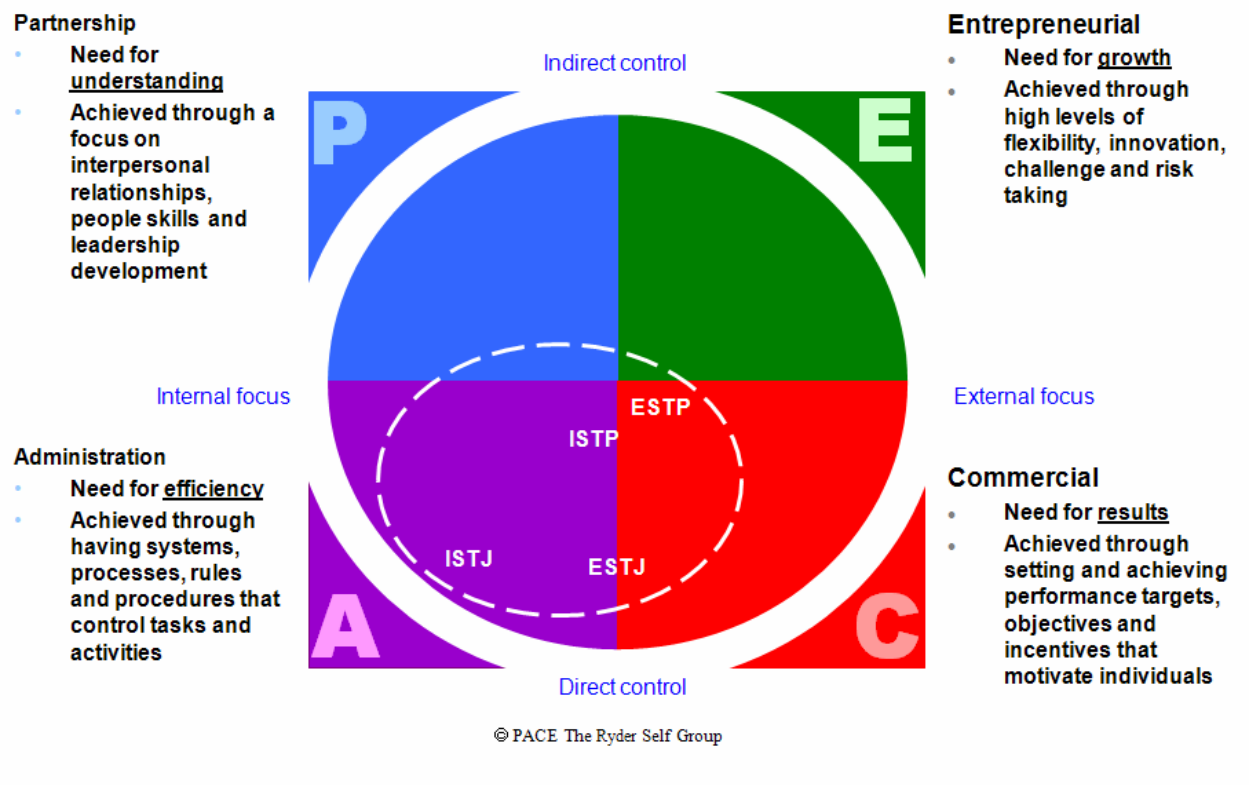
Chart 6.42 illustrates how these four MBTI profiles fit onto The Ryder Self Group PACE organisational Cultural model. The ISTJ fits most closely to the Administration culture, the ESTJ spans the Administration and Commercial cultures with a higher need for achievement than the ISTJ. Both the ISTP and ESTP have higher needs for autonomy and flexibility than the ISTJ and ESTJ profiles.

The pastoral livestock employers' cultures are dominated by the need to perform and grow (medium and small). Although ESTJs are more comfortable with a performance driven environment, ISTJs and ESTJs (together, contributing the greatest majority of the workforce) will experience significant stress in an environment that requires rapid growth, change and risk taking behaviour. They would be the least comfortable in small to medium enterprises.

ISTPs and ESTPs who would be more able to cope with change, risk taking behaviour and high levels of autonomy would be more suitable to the small and medium business enterprises.

A major insight is that the four most dominant MBTI profiles in the beef Industry require a significant level of stability and predictability in their work environment with financial security as a key motivator. High levels of uncertainty about their future would be significantly more stressful to these personality types compared to the general population MBTI type profiles. ESTJs and ISTJs like to be in control and plan for their future. ESTPs and ISTPs also are financially motivated, although can tolerate uncertainty.

Chart 6.42 **Cultural fit of the four most common MBTI profiles**



6.2.3 Future certainty - retention, engagement and critical issues

This insight gained from reviewing MBTI personality profiles in the beef industry led to analysing how certainty impacts on retention and engagement. Table 6.43 highlights that employees who are unsure about their future, are mostly only moderately engaged, less satisfied with their jobs and have experienced significant decline in their morale in the last six months. It is very positive that these employees are still loyal and put in extra effort even when they are not sure about their future, indicating that they are committed employees that an employer would want to retain.

Employees who are **unsure** about their future with their employer have two critical issues (performance gap larger than 20 points between what is expected and what is experienced) which need to be addressed to improve retention, namely:

- Fair Pay (-21.7)
- Poor performance not managed (-20.8)

Table 6.43 **Retention and Engagement Indicators by Levels of Certainty**

		Certain about future	Unsure about future	No future
Sample No.		*358*	*167*	*107*
Retention	% certain about future	**56.6**	**26.4**	**16.9**
Highly Disengaged Employees	% employees	1.6	3.4	22.9
Moderately Engaged Employees	% employees	20.9	56.5	42.0
Highly Engaged Employees	% employees	77.4	40.1	35.1
Employee Engagement Index (EEI)	score out of 100%	**93.3**	**86.5**	**80.1**
Employee Satisfaction Index (ESI) (rational)	score out of 100%	**92.4**	**86.2**	**80.6**
Overall Satisfaction (emotional)	% "satisfied" to "very satisfied"	93.0	82.0	74.8
Morale	% 'reasonable' to 'very high'	97.8	88.6	83.2
Morale Decline	% decline in last 6 months	10.3	24.7	39.3
Loyalty	% recommend employer always or sometimes	99.7	93.9	86.0
Extra Effort	% always & mostly	97.2	93.9	94.4

Employees who see **no future** with their employer have a greater number of critical issues (performance gap larger than 20 points) that need improvement for retention, namely:

- Teamwork (-22.2)
- Fair Pay (-27.8)
- Recognition (-24.1)
- Manager listens and encourages ideas (-27.4)
- Open and honest dealings (-24.5)
- Career opportunities (-28.2)
- Communication (-29.7)
- Strong leadership and direction (-23.0)
- Performance Feedback (-24.2)

For staff retention, these issues highlight the importance of an inclusive management style, competitive salaries, strong leadership and career opportunities.

6.2.4 Farm size - retention, engagement and critical issues

Employees in large organisations report the lowest levels of future certainty, engagement, satisfaction and morale compared to small and medium enterprises (Table 6.44). As mentioned earlier this can be due to a significantly larger young workforce that do not see a long-term career in the pastoral livestock industry but are rather looking for a short term experience.

Table 6.44 **Retention and Engagement Indicators by Farm Size**

		Large	Medium	Small
Sample No.		*472*	*93*	*130*
Retention	% certain about future	**53.4**	**56.2**	**70.4**
Highly Disengaged Employees	% employees	5.7	5.6	4.9
Moderately Engaged Employees	% employees	37.1	24.0	24.6
Highly Engaged Employees	% employees	57.2	70.4	70.5
Employee Engagement Index (EEI)	score out of 100%	**87.7**	**92.1**	**90.4**
Employee Satisfaction Index (ESI) (rational)	score out of 100%	**87.8**	**94.1**	**91.4**
Overall Satisfaction (emotional)	% "satisfied" to "very satisfied"	87.4	87.9	87.4
Morale	% 'reasonable' to 'very high'	92.2	98.9	95.3
Morale Decline	% decline in last 6 months	21.1	8.8	14.3
Loyalty	% recommend employer always or sometimes	96.1	97.8	93.7
Extra Effort	% always & mostly	95.2	97.8	98.4

Retention issues differ by farm size. Employees who work for large enterprises report two critical issues (performance gap larger than 20 points) that need improvement, namely:

- Fair pay (-21.3)
- Future certainty (53.4 per cent agree)

Employees who work for medium enterprises have two critical issues (performance gap larger than 20 points) that need improvement, namely:

- Management focus on staff development and support (78.2 per cent agree)
- Future certainty (56.2 per cent agree)

The critical retention issues for employees who work on small farms (performance gap larger than 20 points) that need improvement are:

- Management focus on staff development and support (79.8 per cent agree)
- Future certainty (70.4 per cent agree)

For retention, future certainty requires improvement across the whole pastoral livestock industry. It will be important to review the strategies that can be implemented by different size organisations to enhance employees' sense of future certainty. These will be looked at in more detail in the case studies in chapter 8.

6.3 Generation - critical issues

The pastoral livestock industry has significant differences in the age profile between staff and managers and between small, medium and large enterprises. The four generations are described in Table 6.45 and are based on books by Avril Henry and Peter Sheahan.

Table 6.45 **Generation Characteristics**

Veterans 1922-45 • Grew up in wartime • Tend to be disciplined, respect law and order, like consistency • Uncomfortable with change • Directive, command and control management style • Fixed views on the role of each gender	**Baby Boomers 1946-1964** • Largest generation in history • Open minded and rebellious in their youth but conservative in their 30's and 40's • Optimistic, ambitious, loyal, believed employment was for life • Job status and symbols are important • Talk about inclusive leadership but often do not have the required skills • Responsible for workaholics and superwomen
Generation X 1965-77 • Latchkey kids with both parents working • More resourceful, individualistic, self-reliant and sceptical of authority • Focus in the workplace is on relationships, outcomes, their rights and skills • Not interested in long-term careers, corporate loyalty or status symbols • Easy to recruit, hard to retain • Will have 3+ careers; 12+ employers and self-employed at least once	**Generation Y 1978-94** • Similar values to Veterans - optimistic, confident, sociable, strong morals, sense of civic duty • Comfortable with peers of differing ethnicity and opposite gender • Women and men will expect greater workplace flexibility • Think differently to any other members of the workforce • Will have 5+ careers, 29+ employers, self-employed 1+ times

Gen Y are the largest component of the Workforce Survey is the most vulnerable with very low levels of future certainty and less highly engaged (Table 6.46).

There are some differences in retention issues by generation. Two critical issues for Gen Y employees (performance gap larger than 20 points) that need improvement are:

- Fair pay (-21.4)
- Future certainty (46.5 per cent agree)

Gen X employees have five critical issues (performance gap larger than 20 points) that need improvement, namely:

- Fair pay (-23.7)
- Recognition (-20.3)
- Career opportunities (-21.2)
- Regular performance feedback (-23.6)
- Future certainty (67.3 per cent agree)

Boomer employees have two critical issues (performance gap larger than 20 points) that need improvement, namely:

- Future certainty (68.8 per cent agree)
- Manager focus on staff development and support (77.9 per cent agree)

Table 6.46 **Retention and Engagement Indicators by Generation**

		Gen Y	Gen X	Boomers	Veterans
Sample No.		*338*	*121*	*239*	*83*
Retention	% certain about future	**46.5**	**67.3**	**68.8**	**60.0**
Highly Disengaged Employees	% employees	6.8	5.2	4.0	4.2
Moderately Engaged Employees	% employees	37.3	31.6	29.3	22.9
Highly Engaged Employees	% employees	55.9	63.3	66.7	72.9
Employee Engagement Index (EEI)	score out of 100%	**87.6**	**85.1**	**89.2**	**90.9**
Employee Satisfaction Index (ESI) (rational)	score out of 100%	**88.2**	**86.4**	**91.1**	**91.7**
Overall Satisfaction (emotional)	% "satisfied" to "very satisfied"	88.3	86.1	86.4	84.1
Morale	% 'reasonable' to 'very high'	93.5	92.6	93.5	93.2
Morale Decline	% decline in last 6 months	17.1	21.5	18.8	18.2
Loyalty	% recommend employer always or sometimes	97.4	93.5	94.5	93.0
Extra Effort	% always & mostly	95.0	96.3	96.7	100.0

Gen Y and Gen X employees are dissatisfied with their level of pay. Their comments suggest that dissatisfaction is due to a range of issues, particularly:

- Internal pay discrepancies between individuals.
- Discrepancies within the industry and between different employers.
- Rising cost of living impacted by economic growth through mining in some rural areas.

Although few employees are planning to move to the mining industry, the huge discrepancy in salary levels and rising living costs have led to higher levels of dissatisfaction with current remuneration levels. Although non-cash items are part of employment in the pastoral livestock industry, the smaller cash component of salaries has been raised as a concern because it does not allow for long-term security for an individual or a family i.e. individuals are unable to purchase a property or house of their own on their current cash wage. This reality faces individuals who are about to retire and find themselves without owning their own accommodation.

Gen X employees are the only group who currently raise career opportunities as a critical issue. Other age groups regard career opportunities as important and are sufficiently satisfied with the opportunities that are available. One expects that significant career needs arise as individuals move into a more stable life style with possibly starting a family.

Performance management and recognition are key in motivating Gen X employees. Currently they are not satisfied with the way their performance is being monitored and recognised. A transformational leadership style is more suitable to motivating and managing Gen Y and Gen X employees. The transactional leadership style (command and control) which is associated more with Boomer and Veteran managers is a key demotivator for Gen X and Gen Y.

6.4 Managers and employees - critical issues

Managers have higher levels of certainty and more are highly engaged compared to employees (Table 6.47).

Table 6.47 **Retention and Engagement Indicators by Managers and Employees**

		Managers	Employees
Sample No.		*155*	*551*
Retention	% certain about future	**72.3**	**52.2**
Highly Disengaged Employees	% employees	2.8	6.3
Moderately Engaged Employees	% employees	28.1	34.6
Highly Engaged Employees	% employees	69.1	59.1
Employee Engagement Index (EEI)	score out of 100%	**88.4**	**87.6**
Employee Satisfaction Index (ESI) (rational)	score out of 100%	**90.3**	**89.1**
Overall Satisfaction (emotional)	% "satisfied" to "very satisfied"	86.2	87.6
Morale	% 'reasonable' to 'very high'	96.6	92.6
Morale Decline	% decline in last 6 months	21.4	17.4
Loyalty	% recommend employer always or sometimes	95.2	95.9
Extra Effort	% always & mostly	98.6	95.3

Retention issues differ slightly between managers and employees. Managers have two critical issues (performance gap larger than 20 points) that need improvement for retention, namely:

- Balancing work and leisure (-22.1)
- Future certainty (72.3 per cent agree)

Employees reported 'future certainty' as a critical issue for retention with only 52.2 per cent of employees agreeing that they see a long-term future with their current employer.

6.5 Gender - issues

Male respondents have slightly higher levels of future certainty and more are highly engaged than female respondents (Table 6.48).

'Future certainty' is a critical issue for male respondents with only 60.8 per cent agreeing that they see a long-term future with their current employer.

Female respondents have two critical issues (performance gap larger than 20 points) that need improvement for retention, namely:

- Communication between managers and staff (-22.2)
- Career opportunities (-20.1)

Table 6.48 **Retention and Engagement Indicators by Gender**

		Male	Female
Sample No.		*319*	*210*
Retention	% certain about future	**60.8**	**56.6**
Highly Disengaged Employees	% employees	6.6	57.3
Moderately Engaged Employees	% employees	32.9	36.9
Highly Engaged Employees	% employees	60.5	57.3
Employee Engagement Index (EEI)	score out of 100%	**89.4**	**85.0**
Employee Satisfaction Index (ESI) (rational)	score out of 100%	**90.5**	**86.4**
Overall Satisfaction (emotional)	% "satisfied" to "very satisfied"	86.5	87.0
Morale	% 'reasonable' to 'very high'	93.5	93.3
Morale Decline	% decline in last 6 months	15.5	18.3
Loyalty	% recommend employer always or sometimes	95.3	95.7
Extra Effort	% always & mostly	95.1	96.1

Although females have lower levels of future certainty than males, this does not have as strong a link with their levels of engagement as for males. Career opportunities and the way they are managed are of higher concern to females.

6.6 Employer of Choice Evaluation

The performance levels of employers in the red meat and pastoral wool industries are compared with a key set of criteria adapted from the work of Roger E. Herman from the Herman Group in his book "How to become an Employer of Choice". The criteria are summarised in Table 6.49.

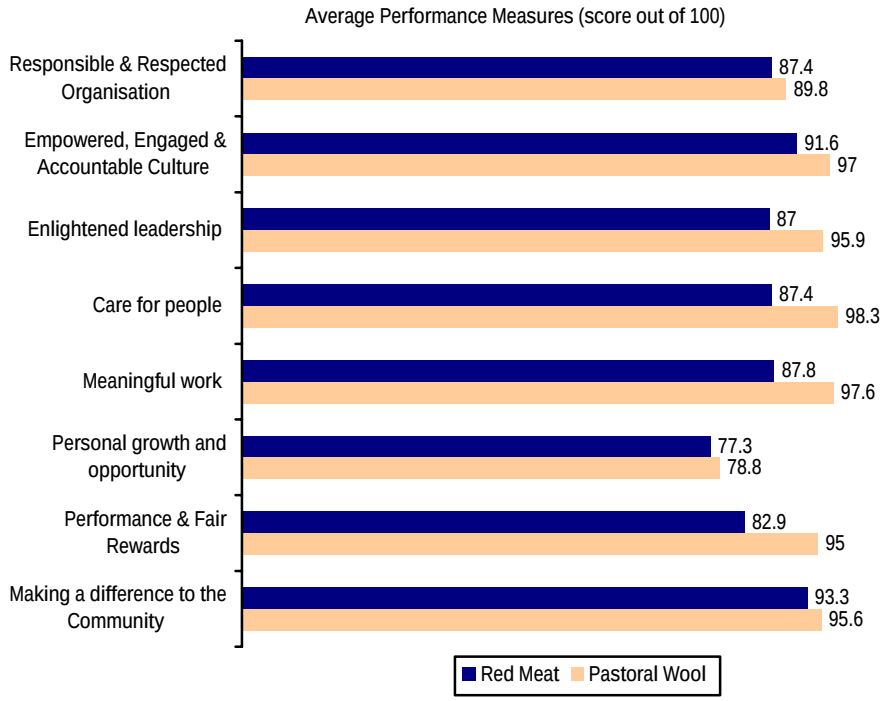
Table 6.49 **Employer of choice criteria**

Criteria	***Description***
Organisation	Is the employer financially strong, respected and focused on the future? Are HR practices aligned with business objectives? Is the workplace safe, healthy and well maintained? Are there adequate resources, staff and equipment?
Leadership	Are leaders accessible, communicative and sensitive to internal and external factors influencing success? Do they 'get it'? Do they believe in, and are passionate about, listening to their people, their ideas and suggestions?
Culture	Are employees empowered, engaged, accountable? Do they look forward to coming to work because of the relationships between co-workers, customers?
Care for People	Is work/life balance valued? Are employees encouraged to take care of themselves (wellness) and their families? Do policies regarding where, when and how people work emphasise flexibility?
Meaningful work	Do all employees feel that their work is significant? Do they receive recognition for the difference they make in the lives of others?
Growth & Opportunity	Are training and education valued? Do all employees have an opportunity to learn and grow? Does the employer offer career growth potential?
Rewards	Are people paid fairly for the work they do? How well tailored to the needs and interests of the employees are compensation programs? How are employees employed e.g. full-time, part-time, casual?
Making a Difference	Does the employer facilitate opportunities for employees to volunteer their time and expertise to improve life for others—in the local community, around the country, around the world?

Source: The Ryder Self Group (2005).

Using a target score of 80 for each of these factors to be an Employer of Choice, both red meat and pastoral wool industry employers perform highly on all factors except on their ability to offer personal growth and career opportunities to their employees (Chart 6.50).

Chart 6.50 **Employer of Choice Criteria – Red Meat and Pastoral Wool Comparison**



Key strengths for red meat employers are:

- 'Making a difference in the community'
- 'Empowered, engaged and accountable culture'
- 'Responsible and respected organisation'
- 'Care for people'
- 'Enlightened leadership'

There are no statistically significant differences between the red meat sub-sectors (ANOVA p = 0.142). However, there are some statistically significant differences between red meat and pastoral wool employers (ANOVA p = 0.04). Pastoral wool employers perform better than red meat employers on:

- 'Care for people'
- 'Meaningful work'
- 'Performance and fair rewards'.

6.7 Key points

Some of the key points from this analysis are summarised in the Table 6.51. An overarching point is that views about employee engagement and attraction differ according to the size of farm that the person is working in. As a result, the table is divided into three columns: small, medium and large. The table also notes where there are problems with small sample size, reducing statistical confidence in findings and where the results are highly significant.

Table 6.51 **Summary of workforce survey findings by farm size**

	Large farms 15+ employees	Medium farms 6 to 14 employees	Small farms 5 or less employees
Sample	57.1%	14.1%	28.8%
Age	▪ 57% under 30 years ▪ 15% 50+	▪ 40% under 30 years ▪ 22% 50+	▪ 15% under 30 years ▪ 49% 50+
Dominant Generation	▪ Gen Y	▪ Gen Y, Gen X	▪ Baby Boomer, Gen X
Attractions to the pastoral livestock industry	▪ Lifestyle ▪ Family farm background ▪ Working with animals ▪ Working outdoors ▪ Job variety ▪ Partner on farm* ▪ Career opportunities* ▪ Farm reputation*	▪ Family farm background ▪ Lifestyle ▪ Working with animals ▪ Working outdoors ▪ Career opportunities ▪ Job variety* ▪ Farm reputation* ▪ Quality of operation*	▪ Family farm background ▪ Working outdoors ▪ Working with animals ▪ Lifestyle ▪ Job variety* ▪ Autonomy, working independently*
Recruitment difficulties	▪ Shortage of skilled people ▪ Low wages* ▪ Losing workers to mining ▪ Young people lacking work ethic*	▪ Losing workers to mining ▪ Shortage of skilled people ▪ Low wages ▪ Young people lacking work ethic*	▪ Losing skilled workers to mining ▪ Losing workers to mining ▪ Low wages ▪ Retirement and ageing* ▪ Hard work*
Reasons for leaving employer	▪ Better career opportunities ▪ Boring, unchallenging jobs* ▪ Uncompetitive wages ▪ Poor leadership / communication*	▪ Better career opportunities ▪ Not feeling valued / recognised* ▪ Work too many hours* ▪ Uncompetitive wages	▪ Better career opportunities ▪ Not feeling valued / recognised* ▪ Poor leadership / communication* ▪ Uncompetitive wages ▪ Too many hours*
Reasons left mining^	▪ Disagreement with manager ▪ Poor leadership / communication ▪ Work environment (heat, dust)* ▪ Lack of job security ▪ Social isolation*	▪ Work environment (heat, dust)* ▪ Social isolation* ▪ Disagreement with manager ▪ Poor leadership / communication ▪ Unclear expectations* ▪ Unsuitable lifestyle	▪ Lack of job security ▪ Better career opportunities* ▪ Boring, unchallenging job duties* ▪ Outdated machinery, equipment* ▪ Unsuitable lifestyle

^ small sample *statistical significant difference.

	Large farms 15+ employees	**Medium farms** 6 to 14 employees	**Small farms** 5 or less employees
Employee engagement	▪ ESI 87.8%; EEI 87.7% ▪ 57.2% highly engaged ▪ 37.1% moderately engaged ▪ 5.7% highly disengaged Lowest is loyalty, job satisfaction, morale, extra effort, being trusted & valued and pride	▪ ESI 94.1%; EEI 92.1% ▪ 70.4% highly engaged ▪ 24.0% moderately engaged ▪ 5.6% highly disengaged Highest is job satisfaction, morale & extra effort	▪ ESI 91.4%; EEI 90.4% ▪ 70.5% highly engaged ▪ 24.6% moderately engaged ▪ 4.9% highly disengaged Highest is retention, being trusted & valued and pride
Retention	▪ 53.4% certain	▪ 56.2% certain	▪ 70.4% certain
Plan for 1 year	▪ 49.6% same job, same employer ▪ 15.4% same job, better qualified ▪ 10.2% same job, different employer ▪ 2.6% leave industry ▪ 1.7% work in mining	▪ 47.7% same job, same employer ▪ 15.1% same job, different employer ▪ 5.8% same job, better qualified ▪ 3.5% retire ▪ 3.5% leave industry ▪ 3.5% work in mining	▪ 62.4% same job, same employer ▪ 12.0% same job, better qualified ▪ 5.2% more senior job, better qualified ▪ 3.4% completely different job ▪ 2.6% retire ▪ 1.7% work in mining
Plan for 5 years	▪ 27.5% more senior job, better qualified ▪ 10.4% same job, same employer ▪ 9.6% completely different job ▪ 8.7% farm owner ▪ 7,8% retire ▪ 4.9% become contractor ▪ 3.5% work in mining ▪ 3.5% leave industry	▪ 24.4% same job, same employer ▪ 17.5% more senior job, better qualified ▪ 11.6% completely different job ▪ 10.5% farm owner ▪ 7.0% retire ▪ 4.7% become contractor ▪ 3.5% leave industry ▪ 1.2% work in mining	▪ 33.6% same job, same employer ▪ 16.5% more senior job, better qualified ▪ 12.6% farm owner ▪ 10.9% retire ▪ 5.0% completely different job ▪ 2.5% leave industry ▪ 1.7% work in mining
Retention Drivers	▪ Loyalty (recommending employer) ▪ Career opportunities ▪ Pride in farm	▪ Management focus on staff development ▪ Job satisfaction ▪ Career opportunities	▪ Being trusted and valued ▪ Open & honest dealings
Effective retention strategies used	▪ Increasing salary ▪ Training, qualifications ▪ Career opportunities ▪ Upgrading accommodation*	▪ Increasing salary ▪ Training, qualifications ▪ Flexible work hours* ▪ Upgrading accommodation*	▪ Flexible hours* ▪ Increasing salary ▪ Time in lieu* ▪ Training, qualifications
Sustainability	▪ 66.8% at risk ▪ 55.8% work 46-52 weeks	▪ 61.2% at risk ▪ 83.9% work 46-52 weeks	▪ 53.2% at risk ▪ 85.7% work 46-52 weeks

Culture	▪ Need greater management focus on staff development and support	▪ Need greater management focus on growth and business sustainability	▪ Need greater management focus on growth and business sustainability

7 Industry analysis

The results from the Workplace Survey 2007 can be explored to seek answers to several key economic questions applied to the pastoral livestock industries at large. These include the following:

- Is there evidence that the pastoral livestock industry is facing challenges attracting and retaining staff?
- What factors influence the challenges (mechanisation, drought)?
- What are the economic costs associated with staff shortages?
- What are the economic costs associated with high turnover?
- What, if anything, have farms already tried to address these challenges?
- What factors are important in shaping attraction and retention in the industry at large?

Answers to these questions are sought through analysis of the responses to the Workforce Survey 2007 aggregating information obtained from the responses within individual farms or properties contained in the survey. The survey methodology permitted matching of employee responses with owners/managers on the same property, allowing comparison of owners/managers with their employees. In this chapter owners, farmers or farmer/manager roles are generally referred to collectively referred to as employers.

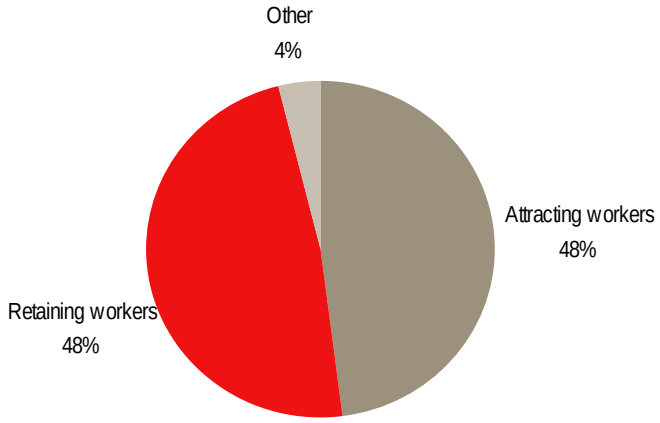
Notably, the results in this chapter may differ from the results presented in Chapter 6 because a different framework has been used to analyse the survey data. The main difference is that, while chapter 6 included some analysis of the survey responses at the enterprise level (which can include several farms/properties within each enterprise), this chapter analyses the survey results at the individual farm/property level. This enables analysis at the level of a separate and identifiable working environment.

7.1 Evidence of industry challenges

As mentioned in Chapter 6, the Workforce Survey 2007 revealed that attraction and retention are equal challenges for employers in the red meat industry sub-sectors, whereas retention is slightly a greater challenge in the pastoral wool sub-sector. When analysed at the farm level, the data from the survey reveals that attraction and retention are equal challenges for the industry at large and for farms of all sizes (that is, there is no significant difference across farm size responses, X^2=0.80). Indeed, as shown in Chart 7.1, 48 per cent of farms report that attraction has greater impact in their business and 48 per cent report that retention is their greatest concern.

The survey also provided further insights about the problems of attraction and retention in the industry at large. This analysis is presented in the subsections below.

Chart 7.1 **Which has the greater impact on your business, retaining workers or filling positions?**



Note: Based on question 46.
Source: CIE.

7.1.1 Attracting and recruiting staff

The Workforce Survey 2007 provides information about staff attraction and recruiting as it:

- reveals what employers think attracts and repels employees to enter the industry;
- shows what attracts employees to work in the pastoral livestock industry;
- provides information about which positions farms have more trouble recruiting; and
- provides information about the attributes that employers look for when recruiting.

Employers' perceptions about the factors that attract and repel employees to enter the pastoral livestock industry can be identified by analysing employer feedback on the reasons for their recruiting difficulties. Chart 7.2 consolidates employer's responses on this issue. This chart shows that:

- most employers (66 per cent) report that their recruiting difficulties are due to a shortage of skilled people in the industry;
- losing skilled workers to mining is a concern for a significant percentage of employers (51 per cent); and
- a significant proportion of employers (48 per cent) think that they have difficulties attracting workers due to low wages/salaries.

Statistical tests show that there are specific concerns for different farm sizes. These are:

- losing skilled workers to mining is a greater concern in medium size farms, than in large and small farms; and
- the bigger the farm, the more location is regarded as a problem for recruiting.

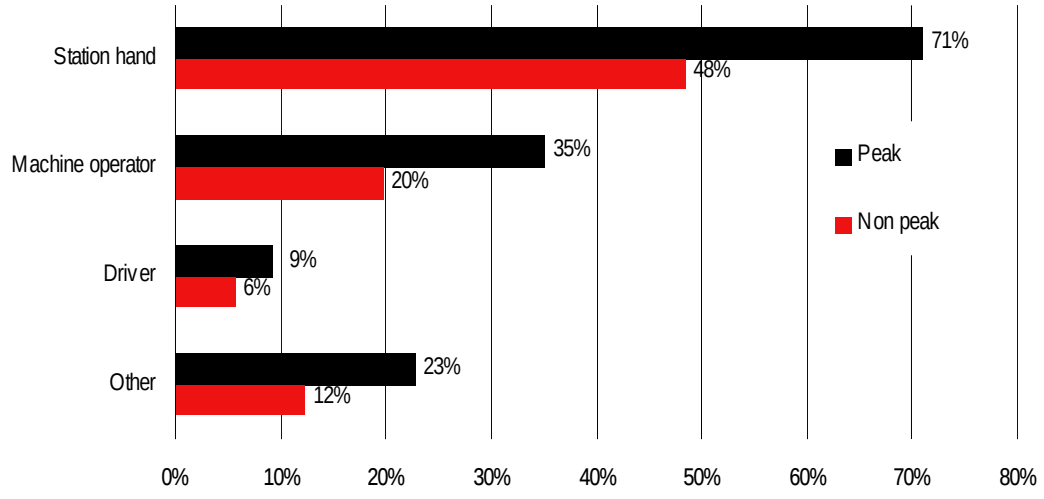
Notably, employers' perception about the factors that attract workers (and factors that are not attractive) to the pastoral livestock industry is at variance with the key attractors reported by employees (these issues were analysed in detail in Chapter 6). For instance, employers perceive that the mining industry is a major cause of their difficulty attracting and recruiting staff. In contrast, Chapter 6 shows that the attractors to the pastoral livestock industry are so strongly related to the nature of the pastoral livestock operation and associated lifestyle that is unlikely to expect that a large proportion of employees would be attracted to the mining industry with its sharply contrasting work environment and lifestyle.

Chart 7.2 **What are the reasons for your recruiting difficulties?**

Note: Based on question 41.
Source: CIE.

The survey results also provide insight about the particular positions or roles that employers have more trouble filling. This is presented in Chart 7.3. From this table it is clear that difficulties in recruiting are not only a peak period problem. Difficulties are encountered in both peak and non-peak periods. The recruit's employers report as having the most trouble recruiting include station hands and machine operators. Notably, there are no significant differences across farm size responses.

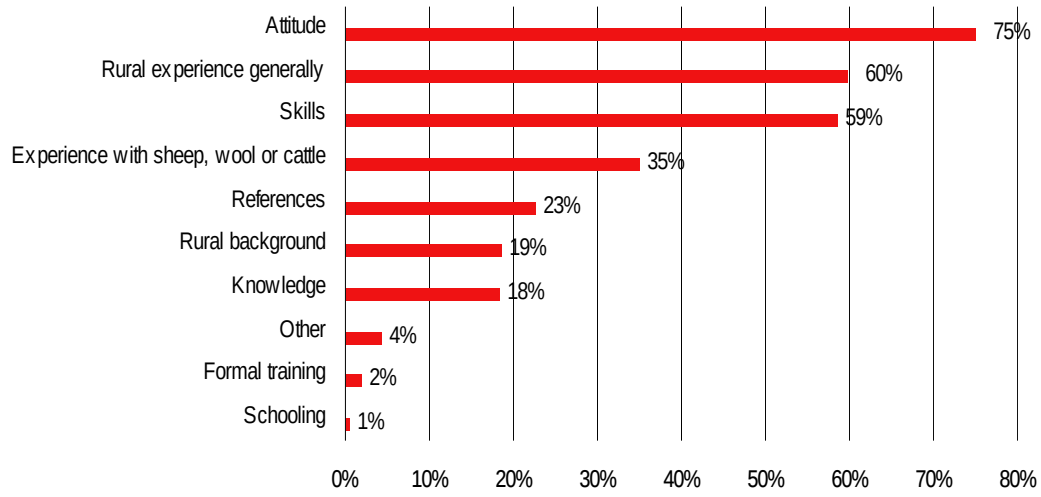
Chart 7.3 **Which positions do you have trouble recruiting in peak or non peak time?**



Note: Based on question 40a.
Source: CIE.

Further, the Workplace Survey provides insights into the attributes that employers are looking for when recruiting. Chart 7.4 presents this information. Interestingly, the top three attributes most sought by employers in the pastoral livestock industry are attitude, rural experience in general, and skills. In general, these finding are consistent for all farm sizes.

Chart 7.4 **Attributes that farms look for when recruiting people (per cent of farms reporting that attribute)**



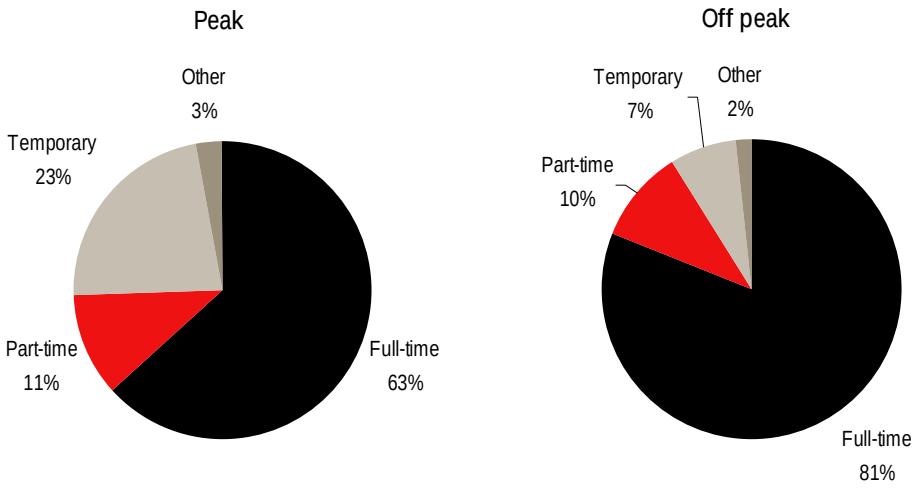
Note: Based on question 44: What do you look for most when recruiting people?
Source: CIE.

7.1.2 Labour shortages

Chart 7.5 shows the distribution of labour demand across a range of categories during peak and off-peak periods. Statistical tests show that the demand for labour is significantly different for peak and off-peak periods. These differences are:

- the demand for full-time workers is greater during off-peak periods than during peak periods;
- the demand for temporary workers is greater during peak periods than during off-peak periods; and
- the demand for part-time workers appears to be stable across peak and off-peak periods.

Chart 7.5 **Demand for labour**



Note: The survey defined full-time positions as permanent. Temporary labour was defined as people employed for seasonal work during busy times.
Source: CIE.

Results from the Workplace Survey also show that 81 per cent of the farms surveyed have difficulty recruiting people during peak periods.[12] This finding is consistent for all farm sizes (chi-square coefficient of X^2=0.16 indicates that there is no significant difference across farm size responses). Similarly, the survey results show that 67 per cent of farms have difficulty recruiting people during non-peak periods.

To gauge the size of the labour shortage that the farms are currently facing, the survey asked employers (owners and managers) to indicate during peak and non-peak times:

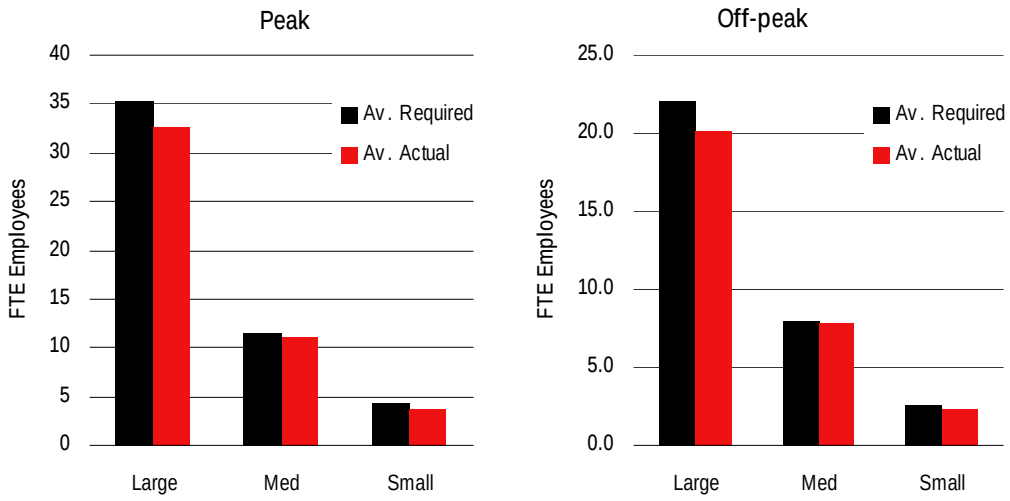
- the amount of labour required;
- how many staff were currently employed; and
- the number of positions the employer was actively trying to fill.

Using this information, the average number of required and actual full-time equivalent (FTE) employees per farm were estimated. Chart 7.6 provides a snapshot of this data and Table 7.7 provides information about the confidence intervals. Chi-square coefficients show that the averages reported in Chart 7.6 are significantly different across farm sizes.

Based on the required and actual labour needs reported, it was found that:

- 40 per cent of the responding farms reported labour shortages;
- the average number of required FTE employees is higher than the actual number of FTE employees for all farms sizes and both in peak and off-peak periods;
- all farm sizes experience labour shortages; and
- farms experience labour shortages both during peak and non-peak periods.

Chart 7.6 **Comparison of average required and actual FTE employees per farm**



Notes:

- FTE= Full-time equivalent
- Based on Questions 38 and 39: Thinking only of your livestock business, (a) how many people are required in peak time/non-peak time and (b) how many are actually employed? Estimates are consistent across farm sizes (see table below)
- Full-time equivalent estimates are based on based on information about weeks and hours worked per year, 1 part time worker = 0.37 full-time worker and 1 temporary worker= 0.7 full-time worker, other workers are excluded.
- These estimates include farms that reported having a surplus of workers. This differs from estimates presented in Table 7.7 presented later in the report.

Source: CIE.

[12] Based on question 40: Do you have difficulty recruiting people during peak and non-peak time?

Table 7.7 **Confidence intervals for average required and actual FTE employees per farm**

Peak

	Av. Required	Confidence interval	Av. Actual	Confidence interval	n
Large	35	+/- 16.1	33	+/- 16.2	12
Medium	12	+/- 2.0	11	+/- 1.9	36
Small	4	+/- 0.5	4	+/- 0.5	152

Off-peak

	Av. Required	Confidence interval	Av. Actual	Confidence interval	n
Large	22.0	+/- 19.4	20.2	+/- 20.0	10
Medium	8.0	+/- 3.6	7.8	+/- 3.6	22
Small	3	+/- 0.5	2	+/- 0.5	80

a CI= Confidence intervals at 95 per cent.

Note: Confidence intervals for large and medium farms are relatively large due to the small number of observations (n=14 and 36, respectively).

Source: CIE.

The amount of unmet demand reported provides an implied vacancy rate. The implied vacancy rate on a full-time equivalent basis at the farm level during peak periods is estimated to be on average 13 per cent. In comparison, the implied vacancy rate during non-peak periods is estimated to be around 12 per cent. Notably, these implied vacancy rates are considerably higher than the economy-wide rate (2.3 per cent for 2007) as measured in the ANZ's Job Advertisement series.

The survey results also provide information about the amount of unmet demand for staff by farm size. However, testing suggests that these differences are not statistically significant (X^2=0.11 for peak periods and X^2=0.55 for non-peak periods).

Consistent with these results, around 40 per cent of respondents reported currently trying to fill positions (full-time, part time or temporary). Table 7.8 summarises the findings.

Table 7.8 **Current vacancies to be filled**

Average vacancies per farm

	Large	Confidence interval	Med	Confidence interval	Small	Confidence interval
Full-time	3.0	+/- 1.1	2.3	+/- 0.81	1.6	+/- 0.26
Part-time	na	na	1.7	+/- 1.31	1.3	+/- 0.56
Temporary	1.0	na	na	na	1.7	+/- 0.49

Number of farms that answered the question

	Large	Med	Small
Full-time	8	20	32
Part-time	0	3	7
Temporary	1	0	15

a CI= Confidence intervals at 95 per cent.

Note: Question 43: Currently, how many positions are you trying to fill?

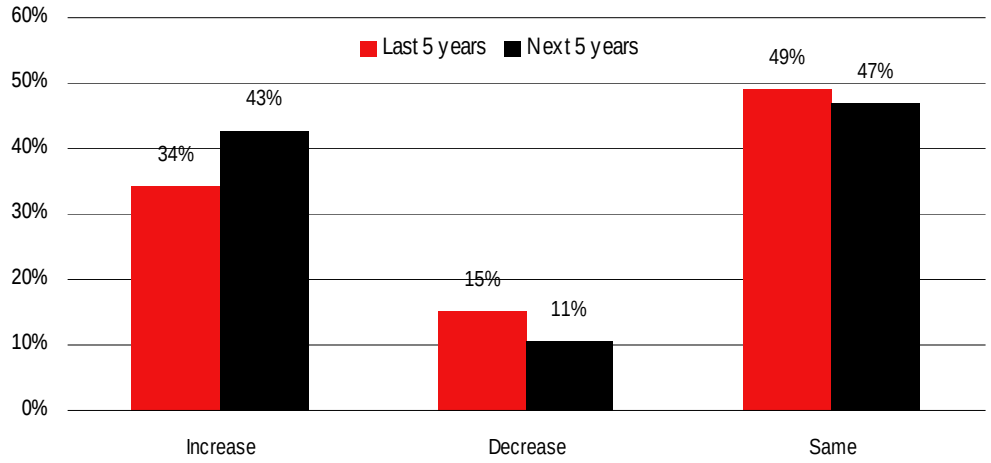
Source: CIE.

7.1.3 Changes in labour requirements

To obtain information about the perceived changes in their labour requirements, the survey asked employers to indicate how their needs for labour had changed in the last five years, and how they view their needs would change over the next five years. Chart 7.9 shows this

information at a farm level. Statistical tests show that the differences by farm size are not statistically significant.

Chart 7.9 **Reported views on labour requirements over the last five years and over the next five years**



Note: Based on questions 51 and 54: How do you anticipate your labour requirements will change over the next five years? And Over the last 5 years, your need for labour.
Source: CIE.

Notably, while information presented in Chapter 3 about the grain-sheep-beef cattle farming sector shows that it had a significant decline in employment in the five years to 2006, the majority of the surveyed farms (49 per cent) reported that their requirements had remained the same, with 15 per cent reporting that their labour requirements had decreased over the last five years. Further, despite the fact that the pastoral livestock industries had been severely affected by drought in the last few years, 34 per cent of employers in the Workplace Survey 2007 reported an increase in their labour requirements during the last five years.

In terms of the perceived labour requirements for the future, despite DEWR's projections of negative employment growth for the for grain, beef, sheep and cattle farming presented in Chapter 3, responses to the Workplace Survey 2007 show that 43 per cent of the employers view that their labour requirements will increase. The majority of employers surveyed (46 per cent) view that their labour requirements over the next five years will remain the same, and only 11 per cent view that their requirements will decrease.

Clearly the survey responses indicate differences between employers and farms about their need for staff and their ability to attract sufficient staff. Viewed as a whole, however, employers are projecting a net shortage of staff into the next five years (because many more employers are foreshadowing an increase in staff requirements than those predicting a decrease).

7.1.4 Retention and turnover of staff

High employee turnover appears to be a very significant problem within the pastoral livestock industries. The survey asked owners and managers to estimate their annual turnover. Of those that responded, 10 per cent of the farms reported turnover among both full-time and part time staff, while 42 per cent of the farms reported turnover among their full-time employees. A smaller share (17 per cent) reported turnover among their part time employees.

Table 7.10 summarises the responses. Collectively, owners and managers reported that around 668 employees will leave their employer in a given year. The average turnover is different for different farm sizes (these numbers are statistically significant). Larger enterprises tended to report much higher levels of annual turnover relative to small and medium enterprises.

The amount of estimated turnover provides sufficient information to calculate an implied turnover rate.[13] The turnover rate on full-time employees at the farm level is estimated to be on average 11 per cent. In comparison, the implied turnover rate for part-time employees is estimated to be around 12 per cent. Notably, these turnover rates are not significantly different between farm sizes (X^2=0.26 for full-time employees and X^2=0.61 for part-time employees).

Table 7.10 **Employer estimated annual turnover**

Average turnover per farm (persons)

	Large	Confidence interval	Medium	Confidence interval	Small	Confidence interval
Full-time	9.5	+/- 3.7	4.1	+/- 1.3	0.9	+/- 0.2
Part-time	7.0	+/- 2.0	3.8	+/- 4.1	0.8	+/- 0.3

Average employees per farm (persons, peak)

Full-time	29.5	+/- 15.0	9.0	+/- 0.9	1.4	+/- 0.2
Part-time	5.8	+/- 9.3	2.1	+/- 1.0	1.9	+/- 0.4

Total turnover (all farms)

	Persons
Full-time	548
Part-time	120

Number of farms that answered the question

	Large	Med	Small	Total
Full-time	12	32	79	123
Part-time	2	9	49	60

a CI= Confidence intervals at 95 per cent.

Note: Based on question 47: On average, how many permanent employees leave per year?

Source: CIE.

7.2 Factors that influence the challenges

7.2.1 Drought

As mentioned in earlier chapters, droughts have periodically had a substantial impact on agricultural output and had been associated with sharp declines in the level of employment in the industry. The Workplace Survey 2007 reflected the employers' perceptions about this.

When farms were asked if the drought has had an impact on the number of people employed in the last five years, the majority of farms reported that drought has not had an impact on their full-time, part-time or temporary employees. Nonetheless, around a quarter of farms (24 per cent) reported that drought has decreased the number of full-time and temporary people employed and 23 per cent reported that drought had decreased the number of part-time people

[13] The turnover rate has been calculated as the number of full-time/part-time employees that leave the farm as a proportion of the number of full-time employees during peak period.

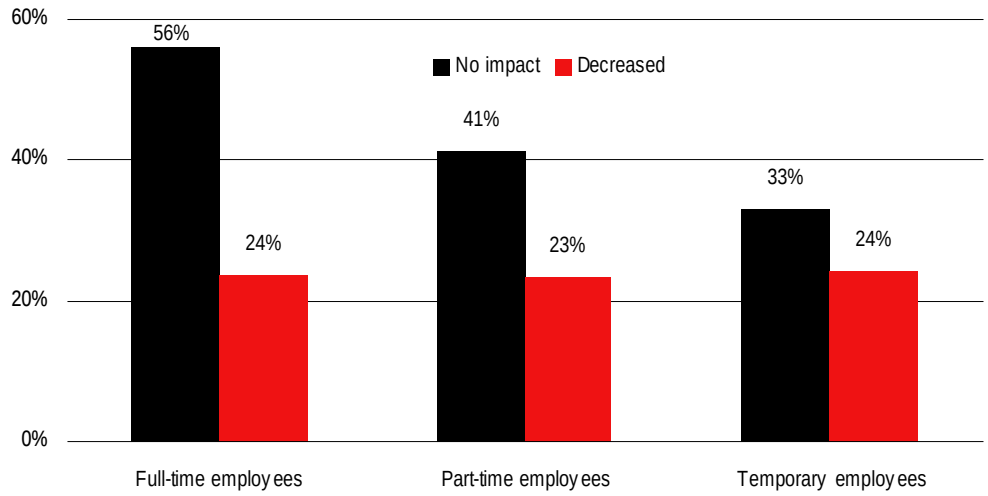
employed. Statistical tests show that there are no significant differences across farm sizes. Chart 7.11 summarises these responses.

These results should be interpreted with caution as those farms that were most affected by drought are likely to have been excluded from the sample.

Feedback from enterprises that reported not having any paid labour at the time of the survey suggests that adjusting the amount of labour used (that is the number of employees) is a key strategy for coping with drought and other threats to the enterprise's viability. As such, it is likely that a number of farms severely affected by drought only employ family members, and the survey captured only enterprises that employed at least one full-time employee in addition to family members.

Responses to additional questions (analysed below) indicate that drought also seems to have be a factor in changing business practices.

Chart 7.11 **Reported views of the impact of drought on the number of people employed**



Note: Question 53: Has drought had any impact on the number of people employed in the last 5 years?
Source: CIE.

7.2.2 Mechanisation

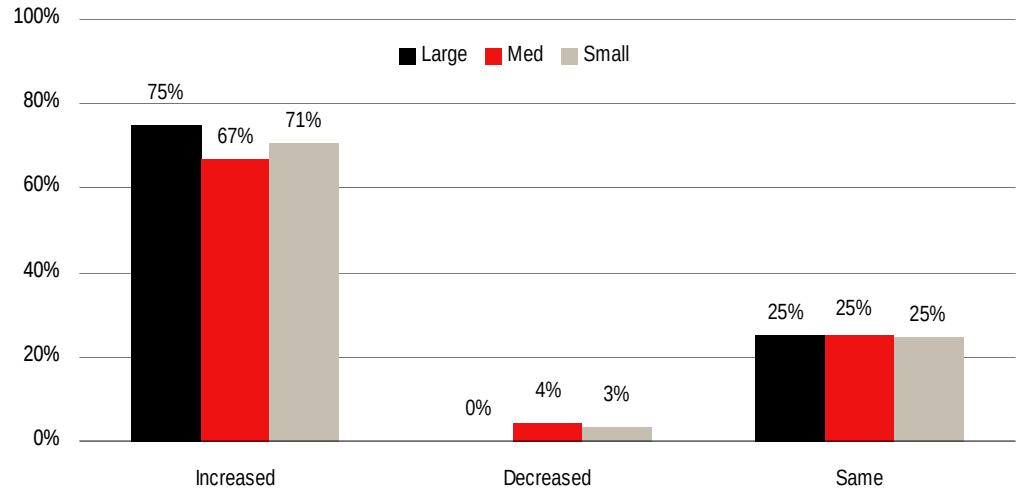
Another factor identified earlier in this report as being likely to impact on employment is mechanisation. Reflecting this possibility the survey asked employers to comment upon their use of machinery and new technology in their operations. Chart 7.12 summarises these responses.

Chart 7.13 shows that the majority of large farms have increased their use of machinery and new technology in the last five years. A significant number of small farms (71 per cent) have also increased their use of machinery and technology.

Notably, these findings may differ from the findings in chapter 6 that suggest that, compared to smaller farms, large farms tend to use more machinery due to their better capacity to borrow. These might be due to two factors. First, the survey did not ask to clarify if the machinery used in the farm was owned or leased, so it is possible that some of the small farms that reported an increase in the use of machinery are actually renting it.

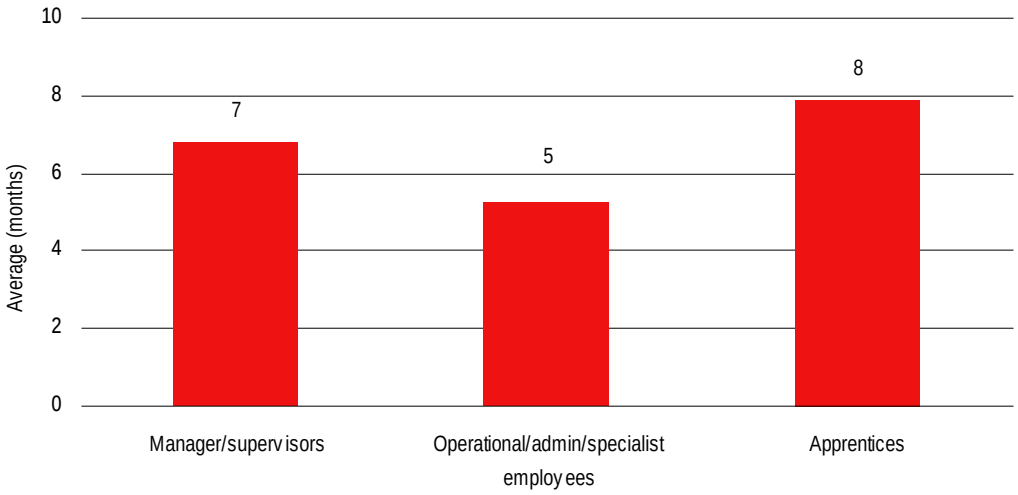
Second, the increase in machinery across all farm sizes can be a response to the rising labour costs and shortages that the industry has faced in the last years.

Chart 7.12 **Changes in the use of machinery and new technology for farm operations in the last five years**



Note: Question 55: Thinking about the last 5 years, has the use of machinery and new technology in your operation…
Source: CIE.

Chart 7.13 **Average time taken to get new people up to speed (months)**



Note: Question 45: Generally, how long does it take to get new people up to speed in their job?
Source: CIE.

7.2.3 Time taken to get new people up to speed

An additional factor that influences the labour challenges in the pastoral livestock industry is the time that farms take to get new people up to speed in their job. When asked about the time that takes them to get new people up to speed in their job, the surveyed farms reported that, on average, it takes them between five to eight months to get staff up to speed depending on the position. Considering that farms lose at least one employee per year, the long time it takes to get people up to speed makes the turnover a problem for farms in the industry.

7.3 The economic costs of staff shortages

7.3.1 Costs of shortages at the farm level

Labour shortages impact adversely upon the pastoral livestock industries in a number of ways. The most immediate impact is through potential production constraints. As such, one way to estimate the direct cost of labour shortages to farms in the pastoral livestock industry is to estimate the value of lost production. Given that, at the margin, the cost of a worker would equate the value of his/her contribution to production, it is feasible to obtain a conservative indication of the value of lost production through the annual costs of employment in the industry.[14]

Table 7.14 shows estimates of the average cost of shortages at the farm level based on the average labour shortages observed in the sample of farms and the average annual cost of a full-time employee (including the costs of the major additional benefits provided to employees).[15] Given that both the estimates of average labour costs and the average labour shortages have confidence intervals around them, Table 7.14 presents three cost estimates (low, average and high). This forms a sensitivity analysis of the results.

Table 7.14 **Cost of staff shortages at the farm level** [a]

			Av. Cost of shortage		
	Av. FTE shortage [b,c,d,e]	***Av. employee cost*** [f,g,h]	***Low estimate*** [i]	***Average*** [j]	***High estimate*** [k]
Large	3.4 (+/- 2.92)	$33 500 (+/- $1 300)	$14 300	**$112 500**	$218 600
Medium	1 (+/- 0.5)	$33 500 (+/- $1 300)	$15 200	**$32 400**	$51 000
Small	0.7 (+/- 0.24)	$33 500 (+/- $1 300)	$13 800	**$22 500**	$31 800

a Estimates in this table have been rounded to reflect the lower level of accuracy that can be obtained from the survey results.

b Estimates of labour shortages are based on the difference between the amount of labour required and the amount currently employed as reported in questions 38 and 39 of the survey.

c Full-time equivalent estimates are based on based on information about weeks and hours worked per year, 1 part time worker = 0.37 full-time worker and 1 temporary worker= 0.7 full-time worker, other workers are excluded.

d Confidence interval at 95 per cent in brackets.

e These estimates exclude farms that reported having a surplus of workers and hence differ from estimates presented earlier.

f Wages include base salary plus house/accommodation benefits, vehicle benefits and fuel allowance. The value of non-cash benefits was quantified using estimates from Holmes Sackett and Associates (2006).

g Statistical tests show that there are not significant differences in average employee wages between farm sizes.

h Confidence interval at 95 per cent in brackets.

i Estimate based on the lower bound of the average FTE shortage and the lower bound of the average employee wage.

j Estimate based on the average FTE shortage and the average employee wage.

k Estimate based on the higher bound of the average FTE shortage and the higher bound of the average employee wage.

Source: CIE estimates.

[14] In a competitive market workers will be hired by a firm up to the point where the marginal revenue from employing an extra worker is equal to the marginal cost of that worker (i.e. the agreed wage). When a firm loses a worker, it loses the productive contribution of that marginal worker. Given the linkages between the wage and output, the value of this lost production for workers at the margin can be estimated using the wage rate.

[15] The average labour cost to employers of employees (i.e., not including managerial/supervisory staff) in the sample is $33 500. The additional benefits included are: house/accommodation benefits, vehicle benefits and fuel allowance. The value of these non-cash benefits was quantified using estimates from Holmes Sackett and Associates (2006). The estimate of labour costs compares to an ABS estimate of the average annual income of all employees in the farm sector (which includes all agriculture, but not forestry or fishing, as well as managers) of $35 756 in 2006-07 (ABS Cats 5206.0 and 6202.0).

As shown in Table 7.14, based on responses to the Workplace Survey, the average cost of staff shortages at the farm level ranges from $22 500 to $112 500 depending on farm size. Importantly, these estimates are not precise and should be considered as providing, at best, a broad indication of the likely costs of labour shortages at the farm level. However, obtaining precision is not the main objective of this analysis; the main point is to illustrate the general magnitude of the labour shortage problem to the pastoral livestock industry.

Importantly, besides the direct effects estimated above, labour shortages have indirect or flow on effects. They alter the farm and industry's competitive position, especially within international markets. Based on the severity and duration of a labour shortage, a farm could face:

- sustained higher labour costs, as a result of using wages and other compensation strategies to attract workers; and
- adjustment costs through changing the labour-capital mix of production systems to reduce its reliance on labour.

Estimating the indirect costs of labour shortages requires detailed analysis of the potential for some level of structural adjustment in the industry. This type of analysis is beyond the scope of this study.

7.3.2 Cost of staff shortages at the industry wide level

Based on the information presented in the previous subsection, and drawing on additional estimates about the size of the industry at large, Table 7.15 shows estimates of the costs of shortages at the industry wide level. As shown in this table, it is estimated that the average cost of labour shortages to the pastoral livestock industry is between $134 million and $627 million. This industry estimate is indicative.[16]

Notably, the findings presented Table 7.15 provide information about the economic impacts of labour shortages at the industry level. Nonetheless, there are substantive limitations in this analysis. Key main limitations include the following points.

- The findings from the sample have been extrapolated to an industry at large for which there is limited information. Since the industry estimates are based on a sample, they may differ from the population aggregates that would have been obtained if a complete census of all labour shortages and costs had been taken.
- The particular sample used to produce the results in this report is one of a large number of possible samples that could have been selected under the same sample design. So, the estimates derived from one of the possible samples could differ from those derived from other samples and from the population aggregates.
- There are likely to be non-response errors (not all surveyed farms responded to all questions in the questionnaire).

As such, the costs in Tables 7.15 and 7.16 in the next section are only rough approximations of the costs of staff shortages and turnover at the industry level that are provided for illustrative purposes.

[16] Extrapolating from the survey results to the industry level is challenging. Farms characterised by having no permanent staff or relying solely on family labour most likely represent a large share of small farms in these pastoral industries. The survey design necessarily excludes these farms as it focused on understanding issues around attracting and retaining labour. ABARE data suggests that around 51 200 farms can be defined as small. However, data does not exist to indicate the share of small farms that do not have employees.

Table 7.15 **Cost of staff shortages at the industry level** [a]

			Average cost of shortage ($ million)		
	No. farms in the industry [b]	***% reporting shortages***	***Low estimate***	***Average***	***High Estimate***
Large	3 500	40	$20	**$160**	$305
Medium	9 000	40	$55	**$115**	$185
Small[c]	10 750	40	$59	**$97**	$137
Total			$134	**$372**	$627

a Estimates in this table have been rounded to reflect the lower level of accuracy that can be obtained from the survey results.

b Estimated using survey data and ABARE. Excludes micro farms only employing family members.

c ABARE estimates that around 51 200 small farms exist. CIE assumes that nearly 79 per cent do not have employees; this figure is based on the number of farms that did not qualify for the survey when analysing MLA and AWI databases. Therefore to estimate the industry level costs of shortages, the number of small farms reporting a shortage is calculated to be 10 750.

Source: CIE estimates.

7.4 The economic costs of staff turnover

7.4.1 Turnover costs at the farm level

Four types of costs have been identified in the literature that arises from staff turnover:

- exit costs which are largely administrative and associated with terminating employment;
- replacement costs involving recruitment activities (e.g. advertising, interviewing, etc);
- transition costs associated with training the new recruit; and
- indirect cost due to lost expertise, loss of personal relationships, flow on effects to fellow workers, etc.

As discussed in earlier chapters estimates of the total costs provided by analysts and recruitment agencies vary significantly, ranging from around one-third to 1.5 times the position's annual salary. See Chapter 4 for more detail.

To form a reasonable estimate of the cost of recruitment it is assumed that the costs of recruitment in this industry are on average in the middle of the range suggested in the literature. That is, that the overall cost of turnover is equal to the cost of that position's remuneration package in the first year of employment.[17] As mentioned in the previous section, the average annual remuneration package/cost of an employee in the pastoral livestock industry farms that responded to the survey is around $33 500 per position (with a range of $32 200 to $34 800 at a 95 per cent confidence level). This is therefore the estimated average amount that it costs to replace a staff member in the industry.

[17] It is likely that this estimate will be received with some reservations and it may be useful to review again the circumstances faced by farmers seeking to recruit staff and what is known from the Workforce Survey to substantiate the estimate. At present, even though farmers have a reputation for conservative spending, rural recruitment agencies are growing their business providing job candidates. Industry sources advise that the cost for this service is up around 15 to 20 per cent of a recruit's first year remuneration package. Even though these agents remove costs from the employer, the employer still has to spend time meeting and vetting applicants. This may essentially match the agent fees in terms of senior management time, which raises the cost to around 30 per cent of the 1st year package. To this the time it takes the person to get up to speed should be added. The survey indicates that it takes new employees 5 to 8 months to get up to speed in their job. With additional supervision time included this could add another 60 per cent of the position's initial package costs. This leaves only 10 per cent of the position's annual package costs to meet the costs of exit of the previous employee and coverage costs while the position is vacant and the team runs shorthanded with additional overtime costs etc.

7.4.2 Turnover costs at the Industry wide level

Based on the information presented in the previous subsection, Table 7.16 shows estimates of the costs of shortages at the industry wide level. The calculations in this table also draw upon estimates of the number of positions subject to turnover from survey responses and estimates of the number of employing farms in the industry (noting that not all farms in the industry are counted if they are not expected to employ staff). As shown in this table, it is estimated that the average cost of turnover to the pastoral livestock industry is around $350 million (with a range of $336 million to $364 million at a 95 per cent confidence level).

As mentioned before the costs in Table 7.16 are only rough approximations of the costs of staff turnover at the industry level that are provided for illustrative purposes.

Table 7.16 **Turnover costs at industry level** [a]

			Turnover costs ($million)		
	No. farms in the industry	***% reporting turnover***	***Low estimate***	***Average***	***High Estimate***
Large	3 500	49	$51	$53	$55
Medium	9 000	49	$130	$136	$141
Small	10 750	49	$155	$162	$168
Total			**$336**	**$350**	**$364**

[a] Estimates in this table have been rounded to reflect the lower level of accuracy that can be obtained from the survey results.

[b] Based on question 47. Notably, 49 per cent of those who answered this question reported some sort of turnover. Nonetheless, 39 per cent of survey respondents did not answer the question and this might be because they don't have turnover. Hence, this might overestimate the amount of turnover in the industry.

[c] ABARE estimates that around 51 200 small farms exist. CIE assumes that nearly 79 per cent do not have employees; this figure is based on the number of farms that did not qualify for the survey when analysing MLA and AWI databases. Therefore to estimate the industry level costs of shortages, the number of small farms reporting a shortage is calculated to be 10 750.

Source: CIE estimates.

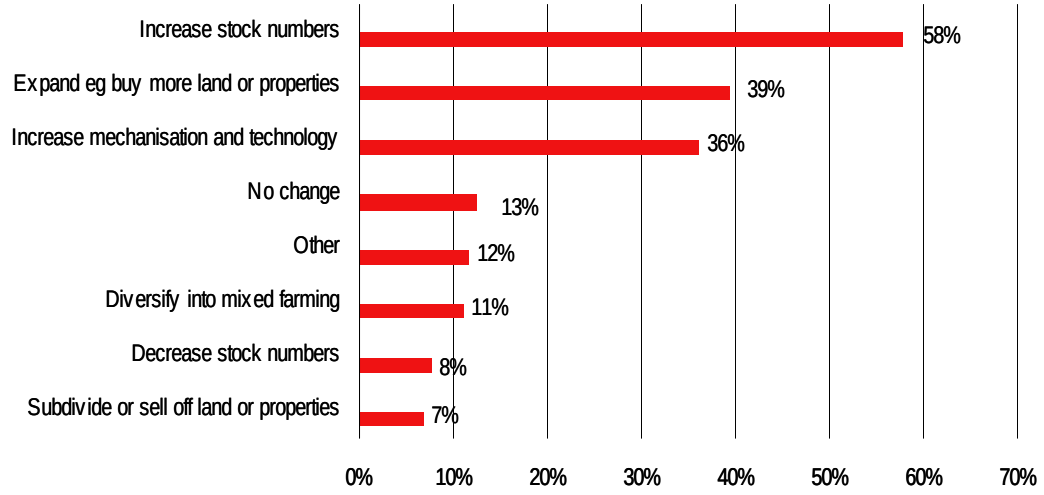
7.5 Current industry response

Farms in the pastoral livestock industry have responded to labour market challenges by implementing various strategies. As mentioned in Chapter 6, farms reported that increasing salaries is an effective retention strategy. In addition to increasing salary, there are some distinctly different retention strategies by farm size. Large farms focus more on providing training, qualifications and career paths. Medium farms focus on providing training and qualifications and also offer the benefits of flexible working hours and upgrading their accommodation. The smaller farms offer flexible working hours and time in lieu.

Farms in the pastoral livestock industry are not only responding to the past and current conditions in the labour market by trying different retention strategies, but they are also making changes to their business model and practices. The Workplace Survey 2007 asked employers about their plans to change their business practices in the next five years. Their responses are summarised in Chart 7.17.

Most of the employers that answered the question (82 per cent) are planning to make some change to their business practices. Those planning to expand accounted for 39 per cent of the respondents and 58 per cent will increase stock numbers, while a smaller percentage are planning to do the opposite (i.e. sell off land and/or decrease stock numbers). Further, 11 per cent are planning to diversify into mixed farming. These responses are in line with recent news about farmers opting out of cattle and into planting crops due to surging food prices.

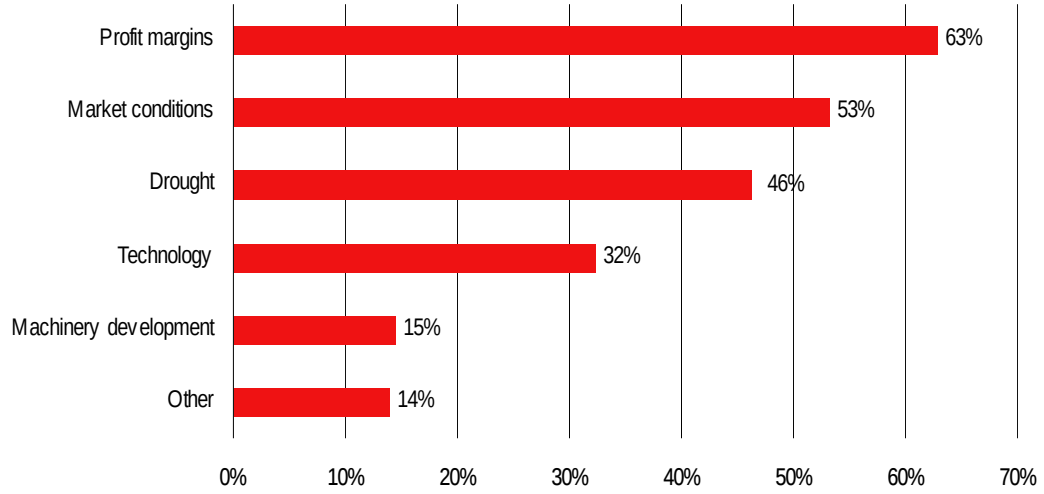
Chart 7.17 **How are you planning to change your business practices in the next five years?**



Note: Based on question 50.
Source: CIE.

The responses to questions about the reasons for changing practices do not reflect a statistically significant difference by farm size. As shown in Chart 7.18, most of the employers report that they are changing their business practices due to profit margins and market conditions.

Chart 7.18 **What are the reasons for changing your business practices?**



Note: Based on question 52: If you have changed or are planning to change practices, what are the key reasons for the change?
Source: CIE.

7.6 Approaches to raise attraction and retention

What should employers in the pastoral livestock industries do to combat the challenges posed in attracting and retaining staff? The key question is what works?

While many employer respondents have indicated in their response to the survey that increasing salaries is an effective retention strategy, analysis of the farms' employee responses in the various indicators of attraction and retention suggest that the impact of pay and conditions is mixed or muted.

Over the industry representatives sampled there is little evidence that farms that pay more or provide more additional benefits such as worker accommodation, improve outcomes against the various indicators of attraction and retention included in the survey. A simple, strong clear cut relationship is not evident.

Of course, many other factors that were identified in the literature review presented in chapter 4 should also be tested to see if they shape retention or attraction. A summary of these factors is provided in Table 7.19.

Table 7.19 **General factors expected to influence staff attraction and retention**

Staff retention	*Staff attraction*
• Organisational commitment and support (engagement) • Job satisfaction • Employee characteristics (e.g. ethnicity, gender, age and tenure) • Job characteristics (e.g. full-time/ part time work) • Wages and other incentives (such as housing, insurance, etc) • Training • Perceived job security • Work-life balance • Vacancy chains	• Organisational characteristics (e.g. company image, size, work environment, location or familiarity) • Perceived alternatives • Hiring expectancies • Work-life balance and family-friendly policies • Perceived fit • Wages and other incentives (such as housing, insurance, etc) • Other actors inherent to the sector, such as nature of the work, the location and the people involved. • Training opportunities

Source: CIE

The extent to which the relationships between the variables in Table 7.20 and attraction and retention are present in the set of data from the survey is revealed by the degree to which they are correlated. That is, the extent to which one increases when the other also increases. Table 7.20 summarises the findings regarding pairwise correlation between indicators of retention and job vacancies and key variables describing organisational culture, remuneration, enterprise and staff characteristics. Only those relationships that are statistically significant at the 5 or 10 per cent level are reported.

Table 7.20 **Bivariate relationships**

	Turnover rate	*Peak FTE vacancy rate*
Enterprise characteristics		
Enterprise size		-0.13*
Employee characteristics		
Average hours worked	0.20**	0.12*
Average age	-0.20**	
Per cent male	-0.18**	
Per cent citizens/PR	0.17**	
Per cent married	-0.14**	Na
Average number of children		Na
Per cent completed Yr 12		Na
Average length in current employment		Na

Note: ** result is significant at 5 per cent level; * result is significant at 10 per cent level. Of note, remuneration was tested; it had no statistically significant results at the 5 or 10 per cent level.
Source: CIE.

At a statistically significant level, the only variables from the survey that are found to be correlated with the rate of turnover were related to employee characteristics. For example, as the average age of employees increased, the rate of turnover decreased. Interestingly, data on remuneration, engagement and enterprise size were not significantly correlated with turnover in this sample. Similarly, an enterprise's peak FTE vacancy rate was also uncorrelated with the set of likely predictors, with the exception of enterprise size — where it was found that the larger is the enterprise's size, the smaller its vacancy rate.[18]

The correlations in the relationships above do not control for the variance in other variables. That is, the bivariate correlation between say the average hours worked and the turnover rate, is not measured assuming constant levels of engagement, farm size or other variables likely to influence this relationship. While the table suggests that as the average hours worked increases so does the turnover rate, it might in fact be the case that long hours are actually correlated with high levels of engagement, and engagement might be the 'true' driver behind high retention. To control for the impact of changes in other variables requires a multivariate regression analysis.
An Ordinary Least Squares (OLS) regression was conducted to estimate the effects on staff retention and attraction. Four indicators of retention were analysed from the survey:

- The proportion of employees who considered themselves to have a long term future with the company;
- The proportion of employees who thought that in 1 year's time, they would still be with the company;
- The proportion of employees who thought that in 5 year's time, they would still be with the company; and
- An enterprise's full time turnover rate.

For staff attraction, a regression analysis was conducted on the degree of labour shortage in peak and off peak seasons.

An econometric model has been constructed on each of the above indicators using variables from the survey. Retention models were estimated using data on remuneration, engagement and enterprise and employee characteristics. Attraction models used largely the same data set, but did not include some irrelevant employee characteristics, or estimates of engagement.

The results of the regression analysis can be found in Appendix C, but the nature and significance of the relationships are summarised below in Table 7.21. The R-Square statistics (R-Sq) for each regression is also reported in the table. R-Sq is a measure of the 'goodness of fit,' that is, the proportion of variance in the value being estimated that is explained by variables in the analysis.

The econometric analysis does not reveal many robust relationships. Notably, a significant number of observations were necessarily dropped from the sample's full set because of incomplete responses, and this may have affected the analysis' predictive powers. The econometric models used to predict an enterprise's vacancy rate were particularly poor estimates with over 90 per cent of the variance unexplained.

Nonetheless, the analysis was able to identify some relationships that concurred with the general views reflected in the literature. These results should be interpreted as holding 'all else equal.' Key findings regarding retention are as follows.

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[18] Note that this seems to differs to an earlier finding in the report that the mean peak FTE vacancy rate did not differ by farm size at a statistically significant level (chi-square coefficient of X^2=0.11). However, the data here only reports a weak correlation between vacancy rates and farm size (that is, at the 90 per cent level), and so these results are not altogether contradictory.

Table 7.21 **Summary of OLS estimations**

	Retention models			***Attraction models***	
	Have a long-term future at your company (Q.18)	In 1yrs time will still be with employer	In 5yrs time will still be with employer	Turnover rate	Peak FTE vacancy rate	Off peak FTE vacancy rate
RSq	**0.19**	**0.48**	**0.46**	**0.26**	**0.06**	**0.08**
Number of observations (n)	**97**	**125**	**111**	**88**	**145**	**86**
Remuneration						
Annual income						
House provided						
Accommodation provided	--	--				
Car provided				--	-	
Petrol provided						
Engagement						
Engagement index		++	++		Na	Na
Enterprise characteristics						
Industry						
Enterprise size		++				
Part of 'major' enterprise[a]		++				
Employee characteristics						
Average hours worked		--		++		
Average age			++			
Per cent male			++			
Per cent citizens/PR				++		
Per cent married		+	++		Na	Na
Average number of children					Na	Na
Per cent completed Yr 12					Na	Na
Average length in current employment		+			Na	Na

Note: ++ result is positive and significant at 5 per cent level; + result is positive and significant at 10 per cent level; -- result is negative and significant at 5 per cent level; - result is negative and significant at 10 per cent level. Alternative specifications measuring engagement were analysed, but were found not to be statistically significant from zero.

a Those farms in the survey that belonged to a network of commonly owned properties, typically a corporation, were identified as being part of a 'major' enterprise. In total there were six major enterprises which could consist of small, medium and large properties.

- The more engaged are an enterprise's staff, the more likely they will plan to remain with their employer in both 1 and 5 year's time. However this result was not a significant predictor of an enterprise's turnover rate. Alternative specifications of the engagement index, that disseminated engagement into its component parts (loyalty, satisfaction, morale, extra effort, trust and pride) were also tested, but were not significant when measured individually.
- Large enterprises are more likely to retain staff in one year's time than are smaller enterprises, as are properties that belong to a network of centrally owned farms.
- Longer average working hours increase the rate of turnover and decrease the likelihood that employees will plan on remaining in the firm in one year's time.

- The greater the proportion of an enterprise's staff that are male and married (exclusive), and the older are those employees, the more likely that those employees plan on remaining in the firm in 5 years time (only the proportion of married employees was a statistically significant predictor of remaining with employer in one year's time).
- Tenure (that is the average time spent with current employer) increases the likelihood an employee intends on remaining with their employer next year, but had no predictive powers for the other models.
- A significant relationship between income and any of the variables could not be uncovered within this data set, however some in-kind payments did have a significant impact:
    - Staff employed in enterprises that provided accommodation were less likely to view themselves as remaining with that employer next year, or have a long term future there.
    - Providing employees with a vehicle as part of their remuneration package lowers the expected peak vacancy rate.

Key findings regarding staff attraction include:

- The average income of the farm was not a statistically significant determinant of the farm's vacancy rate. In fact, the only remuneration factor likely to impact on vacancy was whether or not a vehicle was included in the package.
- The data did not reveal any predictive power in using farm or employee characteristics to estimate a farm's vacancy rate.

Even when allowing for a fuller range of factors acting together, differences in pay and other benefits do not appear to be related to differences in attraction and retention indicators at the industry wide level. The factors that appear to be more significant at the industry wide level relate to staff engagement and other variables.

It seems that appreciation of effective approaches to the challenges of staff attraction and retention are likely to be found by examining the interplay of economic and psychological factors at the personal level. These have been analysed more fully in chapter 6.

7.7 Key points

Analysis of the industry wide and farm level data in the Workplace Survey 2007 provides evidence that the pastoral livestock industry is facing important challenges in attracting and retaining staff. The size of these challenges can be measured in terms of implied vacancy rates and the rate of staff turnover using survey data. The vacancy rate on a full-time equivalent basis at the farm level during peak periods was estimated to be on average 13 per cent across all farms in the sample. This rate is considerably higher than the economy-wide rate (2.3 per cent for 2007). The turnover rate on full-time employees at the farm level is estimated to be on average 11 per cent.

The analysis in this chapter also showed that labour shortages and turnover impose important economic costs to farms and the industry at large. Based on responses to the Workplace Survey the main findings are:

- The average cost of labour shortages at the farm level ranges from $22 500 to $112 500 depending on farm size. The average cost for the industry at large is between $134 million and $627 million each year.
- The average cost of turnover for a farm is estimated to be around $33 500 per employee. The average industry-wide cost of turnover is between $336 million and $364 million.

Importantly, these estimates are not precise and only provide a broad indicator of the likely economic costs of labour shortages and turnover. That is, they represent costs to the economy or the community at large.

Thus raising the attractiveness of the pastoral livestock industries to employees or reducing staff turnover would reduce such costs, but would not necessarily improve farm profitability by this amount. With competitive markets much of the savings would be passed on to customers and the community at large.

Finally, this chapter used data from the Workplace Survey to test the factors that, according to the literature reviewed in Chapter 4, are important in shaping attraction and retention. The main findings are that:

- Traditional rewards (i.e. remuneration and other monetary incentives) are not significantly related to turnover or attraction in this sample. In fact, the only remuneration factor likely to impact on vacancy rates was found to be whether or not a vehicle was provided.
- The data did not reveal any predictive power in using farm or employee characteristics to estimate a farm's vacancy rate.
- Longer working hours increase the rate of turnover. This is in line with the literature findings about the importance of work-life balance for employees.
- Consistent with the literature, tenure increases the likelihood that an employee will remain with their employer.
- While engagement is not a significant predictor of turnover rate, the analysis shows that staff will remain longer with their employer if they are engaged.

Importantly, these findings complement the employee analysis presented in chapter 6 and support the conclusion that the problems of attraction and retention are multidimensional and hence no single factor will explain them.

8 Case studies – best practice for employers

This section presents case studies for large, medium and small enterprises that are based on the Workforce Survey information and workshop with industry participants. They are intended for employers to adopt the learning, insights and best practices about staff attraction and retention. They have been prepared by The Ryder Self Group.

8.1 Introduction to Case Studies

Managers play a key role in attracting and retaining staff

The 2007 Meat & Livestock (MLA) and Australian Wool Innovation (AWI) Workforce Survey on attracting and retaining staff in the pastoral livestock industry identified best practices amongst employers in the industry. In total, 245 employers participated in the study and represented 544 properties.

Employees are attracted to the pastoral livestock industry because of their family background, lifestyle, and being able to work with animals and outdoors. An important finding from the survey was the result that only 4 per cent of employees plan to leave the industry or work in mining. **Employees are more likely to leave an employer than the pastoral livestock industry**. Hence, this means that managers play a key role in attracting and retaining staff.

The best practices identified in the survey are outlined in three broad case studies, one each for small, medium and large employers. To decide if you are a small, medium or large employer, simply select the category in the table below with the number of employees you have working full-time, excluding family members.

- **Large employer –** 15 or more full-time employees – go to section A (8.2).
- **Medium employer –** 6 to 14 full-time employees – go to section B (8.3).
- **Small employer** – up to 5 full-time employees – go to section C (8.4).

8.2 (Section A) Best Practices – Large Employers

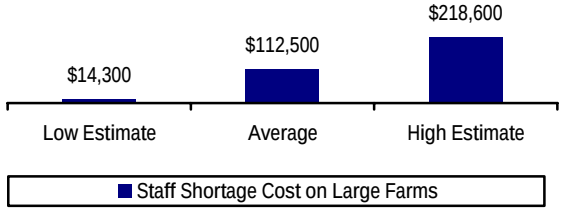
The Business Imperative

The Workforce Survey provides compelling reasons for employers of large pastoral enterprises to review their current attraction and retention practices.

- Staff shortages account for a loss of productivity between $14,300 and $218,600 per annum.
- The cost of staff turnover, on average, is between $186,700 and $459,360 per annum based on costs of recruitment, loss of productivity and training.

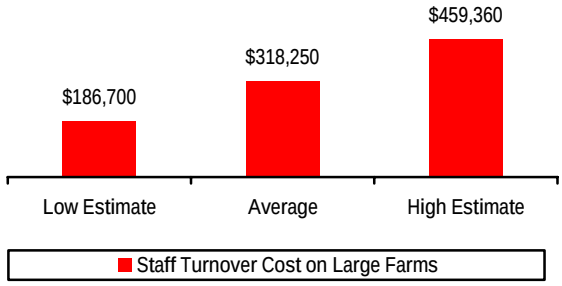
While most of these costs are not transparent, they could have a significant impact on the long-term financial health of large pastoral livestock businesses.

Chart 8.1 **Cost of Staff Shortage for Large Farms**



Staff Shortage estimates based on average shortage of 3.4 FTE (+/- 2.92) & average Employee cost of $33,500 (+/- $1 300)

Chart 8.2 **Cost of Staff Turnover for Large Farms**



Staff Turnover estimates based on average turnover of 9.5 FTE (+/- 3.7) & average Employee cost of $33,500 (+/- $1 300)

Large farm enterprises experience significant attraction and retention challenges.

The most **common recruitment difficulties** reported in the Workforce Survey were:
- Shortage of skilled people;
- Low wages;
- Losing workers to mining; and
- Young people lacking a work ethic.

Large pastoral enterprises employ a higher proportion of **younger employees (57 per cent were under 30 years – Gen Y)**, supervisors and managers than medium and small farms.

> *"Many young people use this industry as a stepping stone into their working life. We need to accept this and promote the benefits and personal growth they get by having spent a year or two on a station".*

Only **53 per cent of employees are certain** about their future with their current employer. Employees report the two key issues for them are:
- Fair pay
- Future certainty of their job with their employer

Best Practice – Strategies to Increase Attraction and Retention for Large Farms

1. Attracting employees

The following three aspects of large farms were key attractions to employees:
- Career opportunities that large farms are able provide;
- Employment opportunities available to partners; and
- Reputation of a large pastoral livestock enterprise.

2. Keeping employees

Strategies that employers reported to be effective in retaining employees were:
- Increasing salaries;
- Offering training and qualifications;

- Offering a career path on the property or as part of a larger organisation;
- Upgrading their accommodation;
- Developing pride in their farm; and
- Being able to recommend their farm.

Increasing pay is not enough by itself

Employers reported increasing pay was an effective retention strategy. However, the Workforce Survey results show that **an increase in wages, by itself, did not contribute to an increase in staff attraction or retention**.

Although employees frequently left large farms because of uncompetitive wages and poor career opportunities, they also left because of:
- Poor leadership;
- Poor communication with managers; and
- Boring and unchallenging jobs.

Financial security and certainty are key motivators

Employees want more certainty about their future with their employer. **Financial security, stability and predictability are key motivators and a high level of future uncertainty will impact on retention. Pay, by itself, is not sufficient to provide financial security.** Pay becomes an issue for employees when they are uncertain about their future or feel they are not valued or appreciated. Future certainty also becomes more important when their personal circumstances change e.g. wanting to start a family.

Engaging employees will assist retention

Employers who have been successful in **employee engagement** have had significantly higher retention rates. An **engaged employee** is one who:
- Feels recognised and appreciated for a job well done;
- Finds their work challenging, stimulating and rewarding;
- Is proud of working for their farm and recommends their employer;
- Is committed and goes the extra mile for their employer and co-workers; and
- Believes they have a long-term future with their employer.

Highly engaged employees on large farms had this to say…

> *"Being recognised and appreciated for hard work done is more satisfying than a pay increase"*
>
> *"Fantastic place to work and an excellent boss - he had taught me heaps"*
>
> *"Good variety of jobs, lots of fun"*
>
> *"I enjoy the challenges of my workplace, as well as the lifestyle I get to live. To work with quality cattle, quality people and a well run property make for an excellent work environment. It makes you want to excel"*
>
> *"My job is extremely rewarding and I am given a number of different roles and responsibilities. The work environment is always pleasant, positive and encouraging.*

The managers are approachable and provide feedback on the performance of all staff"

3. Recommended strategies

In summary, individuals who are attracted to the pastoral livestock industry want more than wages – they are looking for long-term security for themselves and their family so they can plan for their future. **The key challenge for large enterprises is to engage a younger workforce profile**. Employees will stay if they feel valued and respected and doing rewarding work. Engaging employees in the following manner will assist their sense of certainty about the future:

1. Provide a positive future of the farm and its reputation:
- Communicate the company's track record, financial stability, demonstrated success and show that the company is well run and organised.
- Provide guaranteed work where possible.
- Make employees the farm's 'ambassadors' and reward them for any staff referrals.
- Develop a 'keep in touch' approach (e.g., newsletter, birthday cards, invitations to a family or community function etc) to keep in contact with employees who leave to encourage their return in the future..

2. Ensure the basics are met:
- Effectively communicate the total remuneration package showing the overall dollar figure for cash and non-cash items, incentives, bonuses etc.
    - Ensure fairness and consistency in the remuneration packages for similar roles.
    - Structure the remuneration package for pay on an hourly basis.
    - Link remuneration to workplace performance, rewarding specific concrete achievements.
- Assist younger employees with saving and financial planning.
- Investigate the ability for employees to have portable employee benefits.
- Explore the possibility of farm ownership for interested employees.
- Provide good, quality standard accommodation and well-maintained equipment.
- Foster an efficient, safe, healthy and harassment free work environment.

3. Ensure job tasks provide variety and learning:
- Ensure employees have a clear understanding of the expectations of their role.
- Align job tasks to the employee's knowledge, skills and experience.
- Find out what skills employees have and encourage multi-skilling.
- Provide training and opportunities to improve qualifications.
- Provide job enrichment (interesting jobs) for spouses / partners working on the property.

4. Provide a career path for each individual:
- Show a defined hierarchy with clear roles and responsibilities, the steps to move up the career ladder, what education and experience are required and how long it will take to progress.
- Provide leadership opportunities for male and female employees.
- Provide managers with training on career coaching.

5. Ensure managers are approachable, supportive and good communicators:

- Provide training to managers so they have the necessary communication, coaching and feedback skills to engage employees, specifically younger employees (Gen Y) and foster teamwork.
- Provide regular informal and formal performance feedback.
- Recognise hard work, commitment and experience.
- Address immediately individuals who are not performing effectively.

6. Ensure employees have work-life balance:

- Monitor work hours and workload to avoid fatigue and risk to personal health. Encourage flexible hours, time in lieu and taking holidays.
- Enhance the sense of well-being through employees experiencing a sense of community with fellow workers.

8.3 (Section B) Best Practices – Medium Employers

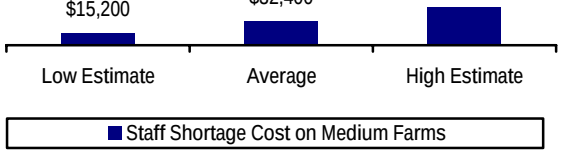
The Business Imperative

The Workforce Survey provides compelling reasons for employers of medium-sized pastoral enterprises to review their current attraction and retention practices.

- Staff shortages account for a loss of productivity between $15,200 and $51,000 per annum.
- The cost of staff turnover, on average, is between $90,160 and $187,920 per annum based on costs of recruitment, loss of productivity and training.

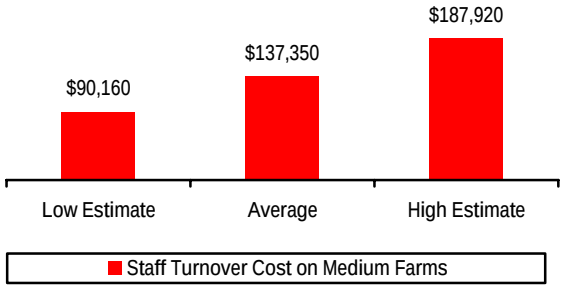
While most of these costs are not transparent, they could have a significant impact on the long-term financial health of large pastoral livestock businesses.

Chart 8.3 **Cost of Staff Shortage for Medium Farms**



Staff Shortage estimates based on average shortage of 1 FTE (+/- 0.5) & average Employee cost of $33,500 (+/- $1 300)

Chart 8.4 **Cost of Staff Turnover for Medium Farms**



Staff Turnover estimates based on average turnover of 4.1 FTE (+/- 1.3) & average Employee cost of $33,500 (+/- $1 300)

Medium-sized farms face some significant attraction and retention challenges.

The most **common recruitment difficulties** reported in the Workforce Survey were:

- Losing workers to mining;
- Shortage of skilled people;
- Low wages; and
- Young people lacking a work ethic.

Medium pastoral enterprises employ a high proportion of **younger to middle-aged employees (40 per cent were under 30 years – Gen Y)**, supervisors and managers than small farms.

Only **56 per cent of employees are certain** about their future with their current employer. Employees report the two key issues for them are:

- Need for management to focus on staff development and support.
- Future certainty of their job with their employer.

> *"We work for wonderful people who appreciate my husband and myself. They are very keen to help us reach our goals and they support all our ideas and dreams. We know how lucky we are - I don't think we will be leaving anytime soon"*

Best Practice – Strategies to Increase Attraction and Retention for Medium Farms

1. Attracting employees

The following three aspects of medium farms were key attractions to employees:

- The job variety that medium farms are able to provide.
- Reputation of the farm.
- The quality of the operation.

2. Keeping employees

Strategies that employers reported to be effective in retaining employees were:

- Increasing salaries.
- Managers focusing on staff development and support through training, qualifications and career opportunities.
- Providing flexible work hours.
- Upgrading accommodation.
- Ensuring job satisfaction.

Increasing pay is not enough by itself

Employers reported increasing pay was an effective retention strategy. However, the Workforce Survey results show that **an increase in wages, by itself, did not contribute to an increase in staff attraction or retention**.

Although employees frequently left medium farms because of uncompetitive wages and poor career opportunities, they also left because of:

- Not feeling valued and recognised by management.
- Working too many hours.

> *"Farms need more access to information on work hours for employees, time sheets etc. Managers need to ensure fatigue does not affect employees".*

Financial security and certainty are key motivators

Employees want more certainty about their future with their employer. Financial security, stability and predictability are key motivators and a high level of future uncertainty will impact on retention. Pay, by itself, is not sufficient to provide financial security.

Pay becomes an issue for employees when they are uncertain about their future or feel they are not valued or appreciated. Future certainty also becomes more important when their personal circumstances change e.g. wanting to start a family.

Engaging employees will assist retention

Employers who have been successful in **employee engagement** have had significantly higher retention rates. An **engaged employee** is one who:

- Feels recognised and appreciated for a job well done.
- Finds their work challenging, stimulating and rewarding.
- Is proud of working for their farm and recommends their employer.
- Is committed and goes the extra mile for their employer and co-workers.
- Believes they have a long-term future with their employer.

Highly engaged employees on medium farms had this to say…

> *"Job is of high standard and boss is of top class to work for and to understand what he wants"*
>
> *"It was hard to find a job like this one but it was worth it because it is a pleasure to be here"*
>
> *"I am very happy with my job and working environment as this is what I have been studying to do"*
>
> *"I am passionate about the agricultural industry and have found that I am accepted as a woman. I do find that as specialists in our field, most employees in agriculture work dreadfully long hours with little time for a life with family etc"*
>
> *"I love the industry and don't want to leave but as a young family within a family-run business it has become too hard for my husband to not spend more time at home. I wish we could stay but stations are worth too much money to buy our own in the NT"*
>
> *"I work 7 days a week for upwards of 5 weeks in a row; don't get paid enough and the days are too long. The best thing about it is the lifestyle and flexible hours. We have never been knocked back for a weekend off"*

3. Recommended strategies

In summary, individuals who are attracted to the pastoral livestock industry want more than wages – they are looking for long-term security for themselves and their family so they can plan for their future. **The key challenge for medium enterprises is to avoid burning out employees** through too many work hours. Employees will stay if they feel valued, respected, supported and doing rewarding work. Engaging employees in the following manner will assist their sense of certainty about the future:

1. Ensure employees have work-life balance:

- Monitor work hours and workload to avoid fatigue and risk to personal health. Encourage flexible hours, time in lieu and taking holidays.
- Enhance the sense of well-being through employees experiencing a sense of community with fellow workers.

2. Ensure managers are approachable, supportive and good communicators:

- Provide training to managers so they have the necessary communication, coaching and feedback skills to engage employees, specifically younger employees (Gen Y) and foster teamwork.
- Provide regular informal and formal performance feedback.
- Recognise hard work, commitment and experience.
- Address immediately individuals who are not performing effectively.

3. Ensure job tasks provide variety and learning:
- Ensure employees have a clear understanding of the expectations of their role.
- Align job tasks to the employee's knowledge, skills and experience.
- Find out what skills employees have and encourage multi-skilling.
- Provide training and opportunities to improve qualifications.

4. Provide a career path for each individual:
- Provide a career plan with clear roles and responsibilities, the steps to move up the career ladder, what education and experience are required and how long it will take to progress.
- Provide leadership opportunities for male and female employees.
- Provide managers with training on career coaching.

5. Ensure the basics are met:
- Effectively communicate the total remuneration package showing the overall dollar figure for cash and non-cash items, incentives, bonuses etc.
    - Ensure fairness and consistency in the remuneration packages for similar roles.
    - Structure the remuneration package for pay on an hourly basis.
    - Link remuneration to workplace performance, rewarding specific concrete achievements.
- Assist younger employees with saving and financial planning.
- Investigate the ability for employees to have portable employee benefits.
- Explore the possibility of farm ownership for interested employees.
- Provide good, quality standard accommodation and well-maintained equipment.
- Foster an efficient, safe, healthy and harassment free work environment.

6. Provide a positive future of the farm and its reputation:
- Communicate the farm's track record, financial stability, demonstrated success and show that the company is well run, organised and is a quality operation.
- Provide guaranteed work where possible.
- Make employees the farm's 'ambassadors' and reward them for any staff referrals.

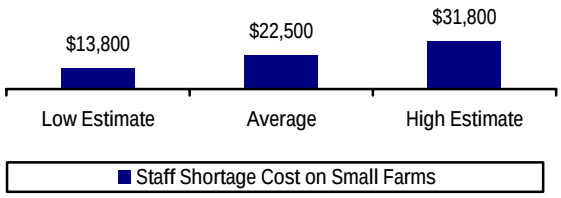
8.4 (Section C) Best Practices – Small Employers

The Business Imperative

The Workforce Survey provides compelling reasons for small farm employers to review their current attraction and retention practices.
- Staff shortages account for a loss of productivity between $15,200 and $51,600 per annum.
- The cost of staff turnover, on average, is between $90,160 and $187,920 per annum based on costs of recruitment, loss of productivity and training.

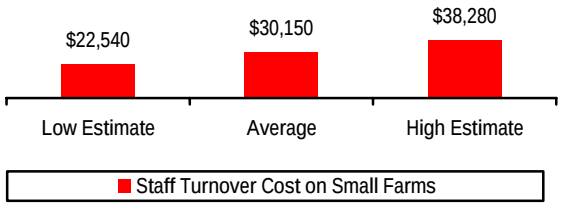
While most of these costs are not transparent, they could have a significant impact on the long-term financial health of large pastoral livestock businesses.

Chart 8.5 **Cost of Staff Shortage for Small Farms**



Staff Shortage estimates based on average shortage of 0.7 FTE (+/- 0.24) & average Employee cost of $33,500 (+/- $1 300)

Chart 8.6 **Cost of Staff Turnover for Small Farms**



Staff Turnover estimates based on average turnover of 0.9 FTE (+/- 0.2) & average Employee cost of $33,500 (+/- $1 300)

Small farms face some significant attraction and retention challenges.

The most **common recruitment difficulties** reported in the Workforce Survey were:
- Losing workers to mining.
- Low wages
- Retirement and ageing.
- Hard work.

Small farms employ a high proportion of **older employees (49 per cent were 50 years or more and only 15 per cent were under 30)**.

Over **70 per cent of employees are certain** about their future on their farm. Nevertheless, employees report the two key issues for them are:
- Need for management to focus on staff development and support
- Future certainty of their job

Best Practice – Strategies to Increase Attraction and Retention for Small Farms

1. Attracting employees

The following two aspects of small farms were key attractions to employees:
- The job variety that small farms are able to provide.
- The autonomy and being able to work independently.

> *"I personally like being in control of our my own destiny even if it requires up to 100 hours/week"*

2. Keeping employees

Strategies that employers reported to be effective in retaining employees were:
- Providing flexible work hours and time in lieu.
- Increasing salaries.
- Offering training and qualifications.
- Ensuring employees feel trusted and valued.
- Having open and honest working relationships.

Increasing pay is not enough by itself

Employers reported increasing pay was an effective retention strategy. However, the Workforce Survey results show that **an increase in wages, by itself, did not contribute to an increase in staff attraction or retention**.

Although employees left small farms because of uncompetitive wages and poor career opportunities, they also left because of:
- Not feeling valued and recognised by management.
- Poor leadership and communication with management.
- Working too many hours.

Financial security and certainty are key motivators

Employees want more certainty about their future with their employer. **Financial security, stability and predictability are key motivators and a high level of future uncertainty will impact on retention. Pay, by itself, is not sufficient to provide financial security.** Pay becomes an issue for employees when they are uncertain about their future or feel they are not valued or appreciated. Future certainty also becomes more important when their personal circumstances change e.g. wanting to start a family.

Engaging employees will assist retention

Employers who have been successful in **employee engagement** have had significantly higher retention rates. An **engaged employee** is one who:
- Feels recognised and appreciated for a job well done.
- Finds their work challenging, stimulating and rewarding.
- Is proud of working for their farm and recommends their employer.
- Is committed and goes the extra mile for their employer and co-workers.
- Believes they have a long-term future with their employer.

What highly engaged employees on small farms had to say…

> *"Having worked 12 years in the building trade I have gained many skills with no certificates which have helped me in the new experience of farm work with diversity and flexibility. Great job! Great lifestyle; Farming is great!"*

> *"I enjoy being part of the family business. I also have opportunities to work off farm in the agricultural industry. This gives me wider experience; I like to attend seminars and industry related training days to meet other people. I enjoy being actively involved in the local community e.g. Apex, CFA"*

"I have a good working relationship with my employers - they are good people to work for"

"I am extremely content with my present position. Minimum stress, stimulating and diverse duties and the lack of a feeling of 'going to work' is priceless. Freedom and contentment unknown to those in the 'big smoke'"

3. Recommended strategies

In summary, individuals who are attracted to the pastoral livestock industry want more than wages – they are looking for long-term security for themselves and their family so they can plan for their future. **The key challenge for small farms is the ageing workforce and too many work hours**. Employees will stay if they feel valued, respected, supported and doing rewarding work. Engaging employees in the following manner will assist their sense of certainty about the future:

1. Ensure employees have work-life balance:
- Monitor work hours and workload to avoid fatigue and risk to personal health. Encourage flexible hours, time in lieu and taking holidays.
- Enhance the sense of well-being through employees experiencing a sense of community with fellow workers.

2. Ensure managers are approachable, supportive and good communicators:
- Provide training to managers so they have the necessary communication, coaching and feedback skills to engage employees and foster good working relationships.
- Provide regular informal and formal performance feedback.
- Recognise hard work, commitment and experience.
- Address immediately individuals who are not performing effectively.

3. Promote the benefits of small farms providing job variety and learning:
- Encourage multi-skilling and provide training and opportunities to improve qualifications.

4. Ensure the basics are met:
- Effectively communicate the total remuneration package showing the overall dollar figure for cash and non-cash items, incentives, bonuses etc.
    - Structure the remuneration package for pay on an hourly basis.
    - Link remuneration to workplace performance, rewarding specific concrete achievements.
- Provide good, quality standard accommodation and well-maintained equipment.
- Foster an efficient, safe, healthy and harassment free work environment.

5. Provide a career path for each individual:
- Ensure a clear agreed and documented succession plan that operates in a timely manner for family members.
- Provide a career plan with clear roles and responsibilities and how long it will take to progress.

6. Provide a positive future of the farm, its reputation and a sense of ownership:
- Communicate the farm's track record, financial stability, demonstrated success and show that the farm is well run and organised.
- Provide guaranteed work where possible.

- Develop a sense of personal ownership through high levels of autonomy. Promote this as a benefit of working on a small farm.
- Explore the possibility of actual farm ownership for interested employees.
- Participate in school-industry partnerships that expose school students to working on a farm to encourage a younger workforce.

9 Conclusions and recommendations

9.1 Key findings

9.1.1 Context

Attraction and retention of staff in the pastoral livestock industries – the beef, sheep and pastoral wool producers – has not been favoured by changes in the external environment. Macroeconomic conditions have led to a tight labour market and general staff shortages. While there is much attention upon the role of mining in soaking up labour the large and sustained expansion of the services sector is an additional, more fundamental shift in the labour market. On the supply side, population growth is slowing. At the same time, the aging of the workforce poses general issues and is a particular threat to the sustainability of the pastoral livestock industries.

When considering the key drivers, especially demographic factors and constraints in the wide pool of workers in the Australia wide labour market, employers seeking to attract and retain staff will face greater difficulties rather than less. Given this, it is unlikely that maintaining the status quo with regard to approaches to employment would allow Australia's pastoral livestock industries to thrive. The industry will either be forced to change by external factors or make changes by choice.

There is not a great deal of detailed and reliable information about employment in Australia's livestock industries. There is a particular scarcity of information at the sub-sectoral level including information about the beef, sheep and pastoral wool industries. Comparison of recent census results suggests that employment in key occupations in these industries shrank between 2001 and 2006. This information does little to explain what drove this change. Other analysts note that factors such as the drought probably played a major role. Government projections suggest that agricultural employment at large is expected to expand in the medium term, but that these gains are likely to be limited. These figures suggest that the attraction and retention of staff in the pastoral livestock industries are already an issue.

Review of the literature suggests that the attraction and retention of staff is a multidimensional issue and that no one factor will explain it. Empirical studies no longer merely rely upon wages, or even upon wages plus additional benefits and incentives such as the provision of housing, when seeking to analyse attraction and retention outcomes. The tangible incentives are generally analysed in conjunction with many possible influences. Factors include training, other job characteristics, employer characteristics, organisational support, job security and many others. Increasingly researchers are turning to analysis of the complex psychological processes involved in an individual's decision to join and stay in a firm, farm or enterprise.

The evidence about which factors are most important is mixed. Given the centrality of wages or salary in the formal contract of employment it could be expected that this is the most important factor. The findings about this in previous studies undertaken in many industries and countries are mixed. Sometimes wages have been found to be significant, other times they are not. Sometimes other factors have been found to be more important. Job satisfaction, for example, has been relied upon in many studies. More recent analysis, however, is indicating that the factors that drive engagement are a more reliable indication of key employment outcomes.

There are very few empirical studies examining these issues in Australia's pastoral livestock industries. Holmes and Sackett's recent study contained some insights about causes of employee dissatisfaction (hours worked and salary). This study and others were found to contain gaps that need to be filled in order to obtain more confidence when using research as a basis for action.

This research report intends to identify the opportunities that may be presented from improved understanding of the tangible and intangible factors influencing staff attraction and retention with a view to enabling the pastoral livestock industry to make an informed choice when confronting future challenges.

9.1.2 Evidence about the challenge

One of the best ways to assess what drives attraction and retention of staff in the pastoral livestock industries is to ask employees and employees what they think about the issues. This study employed a detailed survey – the Workforce Survey 2007 – to do this. The sampling strategy was sufficient to obtain a satisfactory degree of statistical confidence in the findings at the industry wide level. It spanned many farms, different types of farms, and took into account the factors identified in the literature as being relevant. The survey approach was supplemented by interviews and focus group meetings with industry participants and representative bodies.

The points made below reflect the insights obtained from the survey. The survey results of course can only reflect the views of those surveyed and form a sample of the views of the industry at large. Indications about the degree of statistical confidence able to be held in the findings have been provided where feasible.

Employer respondents indicate that attraction and retention are equal challenges across the industry at large. Similar views were reported within the industry sub-sectors.

Respondents indicate that there are shortages of staff. Forty per cent of responding farms report labour shortages. Shortages are apparent when grouping the industry into small, medium and large sized farms. Farms report shortages in peak periods as well as off-peak periods. The CIE has calculated an implied vacancy rate from the survey responses of around 13 per cent in peak period and 12 per cent in non peak periods. This is much higher than the economy wide estimated vacancy rate of 2.3 per cent measured in the ANZ's Job Advertisement series.

High rates of employee turnover also appear to be an issue. Of the responding farms 42 per cent reported turnover of full time employees. The CIE has estimated an implied turnover rate of between 11 to 12 per cent based on survey responses. A turnover rate of this magnitude for the pastoral livestock industry at large would be substantially higher than that of the economy.

Contrary to expectations, survey responses suggest that mining may not be a major threat to attraction and retention of staff in the pastoral livestock industries. While a majority of employers reported loosing skilled workers to mining, only 3.3 per cent of current employees are considering moving to mining in the next five years.

9.1.3 The costs of staff shortages and turnover

The extent of the challenge presented by staff shortages and turnover cannot be fully understood without an attempt to quantify the costs. The figures that follow are based upon information drawn from the survey combined with information obtained from other sources. There are reasons to expect limitations, in some cases significant limitations, in the reliability of this information, but there are few alternative sources of the same information and little indication of how much more or less reliable this information would be. Therefore, the figures that follow should be viewed as being indicative, provided merely to illustrate the possible magnitude of the dimensions discussed.

The cost of labour shortages can be reflected in terms of 'lost' production. That is, the amount of output that a worker would have contributed had a farm been able to fill a vacancy. Broadly most employers would expect to obtain at least as much value from employing an additional worker as the cost of engaging that worker. Based on information from the survey about wages and other costs and reported staff shortages, the average cost to each farm of reported levels of staff shortages is estimated to be between $22 500 to $112 500 if those shortages are maintained over a full year. The wide range reflects the confidence interval that surrounds the data obtained from the survey results. It reflects the variation that is likely to be seen in practice in terms of the value of different workers and different workplaces.

The value of lost production from staff shortages on each farm can be extrapolated to the industry at large. This involves using information about the likely number of farms, their type and size which involves estimation with a large degree of potential for errors. While remaining cognisant of many limitations it is estimated that the industry wide cost of labour shortages may be between $134 million to $627 million in a year if the sample responses are representative of the industry at large and other factors in the estimate are not in error. Recall that this is an estimate of the gross value of production that is 'lost' because the industry is not able to fill vacant positions. To put this illustrative figure into context, the gross value added of the entire agriculture sector will probably be around $25 billion in 2008-09.

The above figure is not an estimate of the returns to employers or farmers in the industry. It is more accurately viewed as a partial indication of loss to the Australian community at large when the pastoral livestock industries are unable to deliver to their full potential to produce food and fibre. Given emerging concerns about the global shortage of food and rising prices, it is likely that this loss would be viewed as a significant concern for the community at large.

The cost of staff turnover can be estimated by combining information about the turnover rate obtained from the survey with information available from other sources about the likely costs involved in filling positions. The cost of filling positions is widely reported particularly by recruitment agencies. Even if farmers and managers do not outsource recruitment they face the cost of diverting their time from running the farm to recruitment activities, which still involves a reduction in their resources. Based on this information, it is estimated that the average cost of reported levels of turnover per farm per year is around $33 500 per position filled. Very often this will be a hidden cost, not explicitly reported in a farm's accounts. Nevertheless, a cost of this amount every time a position is filled forms a significant impost.

An illustrative estimate of the cost of turnover for the industry at large can be calculated. This draws upon the above information at the farm level and survey data about current turnover rates as well as estimates about the industry's workforce which are probably subject to significant estimation errors. Overall, it is estimated that staff turnover may cost the industry between $336 million and $364 million each year.

The overall conclusions to be drawn from this analysis are that staff attraction and turnover pose significant challenges to farms and the industry at large. While the illustrative estimates of costs reported above are very rough and subject to wide degrees of estimation error, they serve to make the point that substantive resources are probably at stake. They also suggest that the gains from addressing these challenges could be substantial.

9.1.4 A conventional response

What should employers in the pastoral livestock industries do to combat the challenges posed in attracting and retaining staff?

The Workplace Survey 2007 results indicate that employer respondent's view that increasing salaries is an effective retention strategy. Employee responses however suggest that the impact of pay and conditions is mixed.

At an industry level there is little evidence that farms that pay more or provide more additional benefits such as housing, improve outcomes against the various indicators of attraction and retention included in the survey. A simple, strong clear cut relationship is not evident.

Even when allowing for a fuller range of factors together, differences in pay and other benefits do not appear to be related to differences in attraction and retention indicators at the industry wide level. The factors that appear to be more significant at the industry wide level relate to staff engagement and other variables.

It seems that appreciation of effective approaches to the challenges of staff attraction and retention are likely to be found by examining the interplay of economic and psychological factors at the personal level.

9.1.5 Engaging employees – motivators and demotivators

Financial security, stability and predictability are key motivators and a high level of future uncertainty will impact on retention. Pay, by itself, is not sufficient to provide financial security where individuals are working in an uncertain environment.

The Workforce Survey findings are consistent with the themes emerging from the initial qualitative interviews and recognise that employers have adopted practices which have enabled the high engagement of staff and positive results. Employers are meeting employee most important expectations to a high degree. The inherent uncertainty characteristic of the industry and at the farm level creates retention issues for employers. Given that an employee is more likely to leave an employer than the pastoral livestock industry, employers have an important role to play in retaining staff. Poor leadership and lack of communication were key reasons people left previous employers as well as uncompetitive wages and better career opportunities elsewhere. Pay becomes an issue for employees when they are uncertain about their future or feel they are not valued or appreciated.

People who work in the pastoral livestock industry are mainly from a farming background, value the lifestyle and want to work outdoors and with animals. These attractors are so strongly innate that it is unlikely to expect that a large proportion of employees would be attracted to the mining industry with its sharply contrasting work environment and lifestyle.

Large enterprises with their younger age profile (mainly Gen Y), face challenges of perceived low wages and unchallenging jobs, yet offer greater career opportunities and pride in its name and reputation. Medium farms have the challenge of employees working too many hours and a greater proportion of Gen X employees. Managers focusing on developing a supportive work environment, providing career opportunities and ensuring job satisfaction will improve retention. Small farms with their ageing workforce and hard work offer the benefit of job variety and autonomy. Ensuring that employees feel trusted and valued and there are open and honest dealings will assist with staff retention.

Given the nature of the more likely personality profiles attracted to the pastoral livestock industry, there are two key motivators that affect retention, namely financial security which is broader than pay (cash and non-cash) and predictability. A high level of future uncertainty creates stress for the most common profiles as they like to plan for their future and be in control.

9.2 Recommendations

Recommendations to improve attraction, engagement and retention are discussed below.

9.2.1 Industry-wide (the number of these recommendations should be consistent with the numbering in the ES)

1. Improve the image of pastoral livestock industry to promote the lifestyle benefits, working outdoors and with animals, community orientation, job variety, career paths (medium and large enterprises), autonomy/independence (small farms), current high levels of job satisfaction and highly engaged workforce. This involves increasing exposure of school students to experiential learning and increasing the awareness of career advisers and parents on the careers available in the industry. Increase the number of school-industry partnerships.

2. Revitalise the effort of industry training providers working with employers in developing and delivering work-based skills development opportunities complemented with self-paced online or other distance learning methods. Provide a skills portfolio approach that is portable for employees to use as they move from farm to farm. Continue with short-term offsite personal development opportunities to improve interpersonal skills and management practices.

3. Conduct an industry review of remuneration in the pastoral livestock industry including best practice approaches. Attract younger employees to small and medium enterprises to counteract the ageing workforce promoting the benefits of job variety, autonomy on small farms and career opportunities, reputation, quality of the operation for medium and large enterprises.

9.2.2 Employer level

4. Communicate more effectively the competitive remuneration packages (cash and non-cash), work-life balance, flexible hours and the team / family / community atmosphere at work.

5. Build a sustainable workforce firstly, by ensuring managers are working sustainable hours and encourage flexible hours, time in lieu and taking holidays. Secondly, review staffing, workload and method of working to ensure employees are working efficiently without risk to personal health. Thirdly, raise awareness on fatigue management and the need for personally managing fatigue namely, having adequate sleep to reduce safety risks in the work environment. Fourth, enhance the sense of well-being and teamwork in the workplace through building social connectedness and cohesion amongst employees at work and in the community and honour traditions. Develop a 'keep in touch' approach in large enterprises to keep in contact with employees who leave (via newsletter); this may encourage them to return in the future.

6. Financial security and future certainty – in the short-term, ensure fairness and consistency in remuneration packages (cash and non-cash) both on the farm for similar roles and for the industry. Review the high level of unpaid overtime and impact on remuneration expectations and if applicable, structure the remuneration package based on paying hourly. Link remuneration to workplace performance, rewarding specific concrete achievements.

   In the long-term, provide financial security through career opportunities, guaranteed work, farm ownership, offering financial planning advice including assistance with saving towards

farm ownership, collateral etc. employee benefits. Provide job enrichment for spouses/partners working on the property.

Provide career coaching tools and training for managers and readily accessible information on career paths and competency requirements. Introduce a clear career plan for each team member that looks at growth and skills development opportunities.

For family owned businesses, ensure a clear agreed and documented succession plan that operates in a timely manner.

7. Leadership and communication – adopt a transformational leadership style especially for Gen Y and Gen X, one that is inclusive and collaborative, and involves providing a clear vision, listening to employees encouraging their ideas and involving them in decision-making. Provide opportunities for female employees to experience leadership roles. Provide training to managers in strategic planning, interpersonal communication and understanding the needs of Gen Y and Gen X. Provide employees with regular concrete and specific information about their performance, farm performance and industry developments etc.

8. Performance feedback and recognition – ensure all staff have a clear understanding of the expectations of their role. Provide regular informal and formal performance feedback and recognise hard work, commitment and experience. Provide training to managers so they have the necessary coaching and feedback skills and make them accountable for coaching and providing performance feedback. Address immediately individuals who are not performing effectively.

9. Promote the enterprise's reputation to build pride amongst employees and to attract new staff. Equip employees to become 'brand ambassadors' and reward for any staff referrals. Ensure the basics are met and an efficient work environment where employers provide a safe, healthy and harassment free work environment, where equipment and the workplace are maintained and accommodation is of a good quality standard.

10. Job satisfaction and engagement – conduct a skills audit to identify all the skills that employees have; ensure employees continue to use their skills and abilities and encourage multi-skilling; address inefficiencies in the workplace that absorb valuable time; monitor employee engagement regularly and involve employees in addressing issues raised.

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[i] The Performance Gap % measures the difference between the Expectation Mean and Performance Mean scores displayed in the chart. A Performance Gap % of -20 or larger would indicate a critical issue that requires attention.