



Benchmarks for Human Resources in the UK Voluntary and Community Sector

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EXECUTIVE SUMMARY FOR ORGANISATIONS IN THE INTERNATIONAL DEVELOPMENT SECTOR

Introduction

- Of the 136 voluntary and community sector participants in People Count 2005, some 16 were in the international development sector
- The study focussed only on UK based staff – it did not include staff based overseas
- This executive summary starts by highlighting the specific findings for the international development participants and then describes the study as a whole and the main findings.

PART 1 FINDINGS IN RELATION TO THE INTERNATIONAL DEVELOPMENT (ID) PARTICIPANTS

- 16 international development organisations took part in People Count 2005. These were: Action Aid, British Red Cross, CAFOD, Commonwealth Foundation, Helpage International, Institute for Development Studies, InterHealth Worldwide, International Institute for Environment and Development, Leprosy Mission, Marie Stopes International, Plan, Save The Children UK, Skillshare International, Tearfund, UNICEF UK, World Vision UK
- ID participants had fewer managers who are female (average 52%) than the sample as a whole (60%)
- ID participants had on average a greater proportion of staff from an ethnic minority background than the sample as a whole. For managers, the figures were 13.1% compared with 5.7% and for operational staff the figures were 14.3% compared with 9.6%
- ID participants appeared to have fewer disabled employees (average 0.2% of employees) than the sample as a whole (1.2%)
- ID participants had a higher proportion of posts filled by existing employees (average 21%) than the overall sample (15%).
- Cost of recruitment advertising was higher for ID participants (average per post £1,500 cf. £1,049), and recruitment timescales tended to be longer (average of 50 working days to fill a vacancy cf. 40 days) than the sample as a whole
- Staff turnover amongst ID participants was lower (17%) than for the sample as whole (21%) and was comparable with the UK average of 16%. Voluntary staff turnover for ID participants was 12% - lower than the figure for the sample as a whole (15%)
- Career planning was used in only 6% of participants compared with 20% for the sample as a whole.
- Percentage of staff who received an appraisal averaged 87% for ID participants which was comparable to the figure for the sector as a whole (85%)
- Absence rates averaged 4.2 days per employee pa for ID participants which compares very favourably with the sample as a whole (6.6 days) and the UK average (7.3 days.)
- Outsourcing is commonly used by ID participants with 54% outsourcing payroll, 31% outsourcing training, and 23% outsourcing organisational review.

PART 2 FINDINGS IN RELATION TO PEOPLE COUNT 2005 AS A WHOLE

Effective human resource management is becoming increasingly important for voluntary and community organisations (VCOs), and the task is becoming harder as the labour market tightens.

- The UK voluntary and community sector as a whole has been growing for many years, hence the overall need to recruit new staff into the sector.
- There are many demands on VCOs: a) Government wants VCOs to enhance their roles in the delivery of public services; b) there is increasing pressure from Government and society at large for VCOs to improve their performance and demonstrate their added value; and c) there is sometimes considerable competition between VCOs.
- In common with organisations seeking to improve performance in other sectors, VCOs need to be effective in their approach to human resource management. They need to recruit and retain talented people, develop the skills and capabilities that their organisation requires, and build the processes and culture to achieve a high performing and motivated workforce.
- VCOs face an increasingly competitive market for staff - both generally and specifically from the public sector - as Government invests in the modernisation of public services.
- Research has shown that benchmarking can help organisations to improve their performance.

People Count 2005 involved benchmarking the human resources of 136 medium and large voluntary and community organisations.

- The aims were to build a picture of the human resources of VCOs to enable participants to compare their performance with each other and to pinpoint their strengths and areas for development.
- On this occasion, we focused on VCOs with over 50 staff.
- Organisations were self-selecting, and 136 completed detailed questionnaires.
- Data were collected concerning the financial year 2004-5.
- Although the sample is large, it should not be seen as representative of the sector.
- The study was undertaken by Agenda Consulting and was endorsed by People In Aid, The Charities HR Network and NCVO.
- The study builds on a previous People Count human resource benchmarking study carried out in 2003.

We found that participating organisations as a whole demonstrated a number of strengths in relation to their human resources...

- For 79% of respondents, HR Directors/Managers are members of the Senior Management Team or attend regularly.
- Some 52% of respondents are accredited to the Investors in People standard.
- On average, well over half (60%) of managers are female.
- Employees from an ethnic minority make up on average 10% of respondents' workforce and 6% of their managers. The percentage of the UK workforce from an ethnic minority is 8%, but this figure varies significantly by region.
- Appraisal processes on average cover 85% of employees.
- Recruitment timescales are comparable with those in the UK workforce as a whole: it takes respondents 40 working days on average to fill a vacancy.

- Respondents appear to have a less traditional approach to selecting staff than was the case two years ago, with increasing use of more modern methods to complement the interview (e.g. personality questionnaires and group activities).
- Absence rates for operational staff (7.6 days per year) are lower than in the private and public sectors (8.4 days); absence rates for managers are the same as in other sectors (4.3 days).
- On average, the incidence among respondents of formal warnings, grievances and employment tribunals are lower than for private and public sectors.
- Over half (52%) of respondents had undertaken a survey of their employees in the last three years.
- When asked to evaluate the effectiveness of their work, respondents seemed generally confident about their work in employee support, employee relations, payroll and recruitment.

...but also faced a number of common issues

- There are proportionally fewer disabled employees among our respondents (1.2%) than in the UK workforce, where the figure is 1.9%.
- On average, respondents spent £260 on training and development per employee, which is 30% less than the average for public and private sectors (£397).
- The costs of the HR function were £472 per employee on average – rather more than for private and public sectors (£411). The cost per employee tends to be lower for larger organisations, indicating the presence of some economies of scale in the HR function.
- Average staff turnover was 21% per year across respondents, compared with an average for private and public sectors of 16%. Linked to this, the average length of service of leavers was 2.8 years, compared with an average of 4.6 years for all organisations.
- As a result, recruitment activity tends to be high, with respondents recruiting on average one quarter of their staff each year.
- Use of systematic career planning among respondents was low, at 20%.
- On average, respondents decided to undertake recruitment internally first for 15% of posts. Research from CIPD suggests that there is scope for VCOs to use this approach more frequently.
- Respondents seemed generally less confident on strategic HR issues than on operational matters. When asked to evaluate the effectiveness of their work, the three topics which received the lowest scores were appraisal, remuneration policy, and organisational review.

In comparing 2005 results with 2003, some caution is required because the overlap between the two studies is only 38% (51 organisations). Furthermore, although there are more participants in the present study, many of them are smaller organisations. With these caveats, we note the following main differences and similarities between the findings of the two studies.

- The percentage of female managers has increased from 58% to 60%.
- The percentage of employees from an ethnic minority has risen from 6.0% to 9.6%.
- Employees with a disability represented 1.2% of our respondents' workforce, compared with 1.0% in 2003.
- There was no change in the percentage of posts filled by existing employees (which stayed at 15%).
- There was no change in the number of days taken to fill a vacancy (40).

- Total staff turnover has fallen slightly from 22% to 21% (although the 2003 figure excludes involuntary wastage).
- Turnover of staff leaving voluntarily was 15%.
- The length of service of leavers rose from 30 to 33 months.
- Respondents have written information on 90% of their departing staff, compared with 78% in 2003.
- Spend on training remained almost static, increasing from £256 to £260.
- The number of off-the-job training days remained the same, at three days per employee per year.
- The percentage of staff with up-to-date training needs assessments is unchanged, at 80%.
- Respondents are using appraisal for a greater percentage of their employees: 85% this time, compared with 80% in 2003.
- Employees typically meet their line manager to discuss performance on eight occasions a year (no data for 2003).
- On average, employees take 6.6 sick days per year – down from 8.0 days in 2003.
- The ratio of all employees to HR staff has fallen from 57 to 55 – probably because of the increased number of smaller organisations involved in 2005.
- Average HR costs have risen from £418 to £472 – though much of this could be accounted for by inflation.

It was apparent that there is considerable variation between participants.

- On most measures there are significant differences in performance between participants
- Although factors such as size, sector and location explain some of these differences, in our view, they do not account for all the variation shown.
- We conclude that much variation between organisations is a result of differences in approach, and therefore that many VCOs have the opportunity to improve their performance.

We recommend that VCOs...

1. Review their performance on the measures contained in this report. One approach is to consider the questions in the box below.
2. Combine this with an understanding of their own organisation's strategic priorities to pinpoint the key issues on which they need to work.
3. Undertake further analysis to understand their performance in more detail. We are organising a number of events in 2006 for this purpose.
4. Gather information about the approaches used by other organisations.
5. Review all the information collected and decide what changes to make and what targets to set.
6. Implement the changes.
7. Monitor and evaluate the implementation.

12 questions for VCOs arising from our research

1. Are there ways in which your recruitment processes can be streamlined to deliver decisions in less time and/or at less cost without compromising quality?
2. Could your workforce be more diverse in terms of gender, ethnicity, disability, or age? If so, what do you need to change to be able to recruit and retain a more diverse workforce?
3. Is there scope for broadening the approaches used for selection to enable better recruitment decisions to be made?
4. Do your HR processes successfully focus employees on the achievement of business goals?
5. Are you content with your level of staff turnover? If not, have you analysed your staff turnover in detail, and do you have a view as to the underlying causes?
6. Are there ways in which you could encourage and enable the employees you want to keep to take their next career step within your organisation - for example, by working on career planning and/or increasing the number of posts for which recruitment is first undertaken internally?
7. Do you regularly undertake a survey of employees to understand their needs and experiences of working in your organisation?
8. Are there ways in which your employment offer (i.e. pay, financial and non-financial benefits) can be made more attractive to current and prospective employees?
9. Are you investing sufficiently in training and development, and are your training and development programmes creating the skills and competencies your organisation needs?
10. Have you equipped, and are you supporting, line managers to implement your policies consistently?
11. Have you reviewed your HR function to ensure that your HR team is focusing on the right areas with appropriate use of outsourcing to external agencies?
12. Does your Chief Executive view HR as a source of strategic advice in relation to the achievement of your organisation's business goals?