

**THE RESOURCES BOOM IN WESTERN AUSTRALIA:
IMPLICATIONS FOR EMPLOYEE ATTRACTION AND RETENTION**

Ms April Beeton *

School of Management, Edith Cowan University, Perth, Australia

Email: abeeton@dodo.com.au

Dr Maryam Omari

School of Management, Edith Cowan University, Perth, Australia

Email: m.omari@ecu.edu.au

Dr Megan Paull

School of Management, Edith Cowan University, Perth, Australia

Email: m.paull@ecu.edu.au

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Profile: April Beeton has research interests in employee retention, employee engagement, high involvement work practices and demographics. April has had wide ranging experience in corporate service roles and is currently the Manager Business Services within a Public Sector agency in Western Australia. Maryam Omari was an HR practitioner for 15 years, she's currently the Director of Undergraduate Studies at the Faculty of Business & Law at Edith Cowan University. Maryam has research interests in retention, workplace bullying and quality of work-life issues. Megan Paul is a lecturer in the School of Management at Edith Cowan University where she teaches in the areas of Organisational Behaviour, Human Resource Management and Industrial Relations. Megan has research interests in the areas of volunteering, ageing workforce, retention and corporate citizenship.

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ABSTRACT

Retention is being seen as a major human resource management challenge for the new century and one that warrants urgent action. There is widespread acknowledgement amongst employers that employee turnover affects the bottom-line, and the ability of an organisation to remain competitive. Acknowledgement must however be accompanied with action in terms of providing a basis for the implementation of more effective strategies to ensure organisations are seen as attractive workplaces. This paper will consider additional challenges associated with employee attraction and retention in a buoyant economy, and for occupations seen as 'less desirable'.

Keywords: Attraction, retention, Western Australia, skills shortages, resources boom

INTRODUCTION

The business environment is becoming increasingly complex with employers faced with the challenges of operating in dynamic settings, meeting tight deadlines, facing increasing costs and levels of competition and stress. In the current environment a threat to businesses appears to be emanating from within organisations as employees leave; at times in large numbers. This movement of staff has tangible and intangible costs. For the former, recruitment and training costs are quantifiable. For the latter, the loss of corporate knowledge impacts on organisational culture which may be more difficult to assess, but is far reaching.

Employees are increasingly seen as a legitimate source of competitive advantage for organisations. Labour shortages are forcing employers to understand issues associated with attraction and retention of talented staff (Sigler 1999). A step towards winning the war for talent is to acquire and retain good employees.

This paper will explore the challenges of employee attraction and retention in a fast growing economy such as that of Western Australia (WA). The current work environment globally, in Australia and in WA will be considered, and issues associated with employee attraction and retention discussed.

Finally, reference will be made to additional complexities relating to staffing in work environments seen as 'less desirable' by some.

THE CHANGING FACE OF THE EMPLOYMENT RELATIONSHIP: A SELLER'S MARKET

In the 21st century, Human Resource (HR) practitioners are becoming aware that demographics are dramatically affecting the characteristics of the talent pool, and that innovative strategies will be needed to attract workers, increase employee engagement, commitment and retention (Frank Finnegan & Taylor 2004). Globalisation of product markets, too, has led to human capital increasingly becoming a source of competitive advantage. With an organisation's human resources being integral to its success, researchers are paying particular attention to leveraging HR practices to build human capital and organisational capability (Wright & Kehoe 2008).

McKinsey and Co. in a report titled 'The war for talent' indicate that the most important corporate resource over the next 20 years will be talented employees (Michaels Hanfield-Jones & Axelrod 2001 in Sheehan Holland & De Cieri 2006:137). A recommendation of the report was to ensure fundamental shifts in Human Resource Management (HRM) practices and a focus on finding more imaginative ways to attract and retain employees.

Population trends across Organisation for Economic Cooperation and Development (OECD) countries reveal almost static populations and declining birth-rates during the latter half of the twentieth century. In the period between 1990 and 2003, the population growth rates for all OECD countries averaged 0.6% per annum. From 1990 to 2000 average birth-rates for the OECD countries fell from 14.3 per 1000 population to 12.4. In discussing the implications that workforce demographics will have for employers in future, Critchley (2004) is quoted by Sheehan, Holland and De Cieri (2006: 133) as saying that demographical changes have generated growing concern for the long-term labour market. The first wave of baby-boomers are reaching retirement age and therefore the pool of candidates will reduce significantly; in turn intensifying the war for talent.

Hewitt (2002) predicts the impacts of the demographic changes will be felt globally and that shortages in every industrial country will hamper economic growth. For example, data from the 2000 U.S. Census indicates that whilst the baby-boomer generation are beginning to retire, the percentage of children under the age of 18 in the population dropped from 36% in 1964 to 26% in 1999. With the ageing of the baby boomers in the USA, the population aged 65 or older is projected to increase from 12% in 2000 to 20% in 2030 (Frank Finnegan Taylor 2004). The trend towards a larger population of older citizens, coupled with a smaller population of younger workers, has significant implications for staffing in modern organisations.

Like most other developed countries, the Australian experience is predicted to mirror that of the US. Critchley (in Sheehan Holland & De Cieri 2006:133) contends that in Australia considerable demands are being placed on HR practitioners against a backdrop of changing workforce demographics such as the shortfall in skilled labour worldwide, and indications that more people are leaving the workforce than joining. The need for the HR function to add genuine strategic value to the organisation, manage the employment relationship and grapple with a diminishing workforce presents challenges to many.

A global study undertaken by the Boston Consulting Group (2003) estimates a shortfall in skilled labour worldwide of the order of 60 million by 2020 (in Sheehan Holland & De Cieri 2006:137). The United States will face a shortage of 17 million workers; Japan 9 million; China 10 million; Russia 6 million; Germany 3 million; France 3 million; Spain 3 million and the UK 2 million and Australia 500,000.

In citing statistics from the Productivity Commission (2004), Murray and Syed (2006: 211) state that one-fourth of the population in Australia will be aged 65 and over by 2044 – 45, twice the present figures. Drabsch (2004) is also cited as highlighting increased life expectancies, declining fertility rates and the impact of migration levels as important contributors to the change in demographics. A nation is ‘young’ if the median age is less than 20 years and old if the median age is 30 years and over (Shylock & Siegel 1976 in Murray & Syed, 2006:211). According to Australian Bureau of Statistics

(ABS), Australia's median age was 36.4 years on 30th June 2004 (Murray & Syed 2006). It is therefore clear that Australia is an ageing nation.

The continually ageing population is expected to lead to a shrinking workforce where retiring baby boomers will not be replaced adequately by younger workers entering the workforce (Murray & Syed, 2006). Generational issues will present challenges of their own. There is increasing concern about the retention of Generations X and Y employees (Gordon & Lowe 2002). Those belonging to Generation X are described as 'difficult to handle' with employers struggling to find ways of motivating and retaining them (Lowe & Gordon 2002). Generation Ys according to the McCrindle Research conducted in 2006 are currently entering the workforce with forecasts indicating that they will comprise 40% of employees in just 5 years. The McCrindle Research (2006) describes Generation Ys as being technologically savvy, innovative and entrepreneurial, ambitious, motivated and quick to learn. Therefore HR practitioners and employers will face the challenge of tailoring work environments, and attraction and retention strategies that will fit in with what Generation Y candidates consider important in the employment relationship. The multigenerational workforces of the future will face challenges of their own in trying to balance flexibility, and tailored workplace benefits on one hand, and ensuring equity and consistency on the other.

The changing demographics of the global and Australian workforces have created a 'seller's market'. In this environment, there is high demand for labour by organisations, but a low supply of available talent. Employers can no longer be relaxed in their attitudes towards employee attraction and retention. They need to discover what factors motivate and commit different groups of employees in order to design appropriate workplace strategies, policies and practices.

THE RESOURCES BOOM IN WESTERN AUSTRALIA

In the current employment market characterised by an abundance of jobs, employers have to compete to attract and retain the talent they need if they are to meet their corporate objectives. With employers

eager to hire more people, workers are in the driver's seat and employers need to offer incentives, at times above and beyond the monetary, to attract and retain quality staff (Herman 2005).

The Western Australian (WA) economy performed very strongly during the 2005/6 financial year with a continuation of the exceptional growth of the resources sector (Department of Industry and Resources [hereafter] DoIR 2006). The 'boom' in the resources sector has been largely driven by China and India's hunger for commodities and energy in particular iron ore, nickel, oil and liquefied natural gas (LNG). During the last quarter of 2007, the labour market in WA led the nation. This was represented by low unemployment and high participation rates. Over the 2006-7 financial year WA's economy recorded a 5.9% growth (Department of Consumer and Employment Protection 2007).

DoIR (2005/06) acknowledges that the resources boom has intensified labour market competition within the private sector for a decreasing pool of qualified and experienced talent. Investment in and development of a skilled workforce are seen as keys to harnessing strengths and unlocking opportunities in the labour market (State Training Board 2007). The growth of jobs in the private sector has resulted in the tapping of alternate sources of labour, such as that which has traditionally been the domain of the public sector. Jobs growth is reflected in the current unemployment rate in Australia that has decreased from 5.2% in January 2006 to 4.1% in March 2008 according to the Australian Bureau of Statistics (ABS). For WA, the unemployment rate was reported at 3.3% for March 2008 (ABS 2008) – significantly lower than the national average.

The strong growth in WA's economy coupled with shortages in the supply of skilled labour pose significant challenges for WA employers. Lucrative employment contracts have created a seller's market where potential employees are demanding and expecting unrivalled compensation packages and benefits. Organisations are complying with demands in order to secure and retain the best employees. In this environment, the war for talent has become fierce.

ATTRACTION AND RETENTION AS CORPORATE PRIORITIES

The adoption of human resource practices as a strategy to secure commitment and to retain valued and high performing employees has been the subject of much organisational research (e.g. Ramsay Scholarios & Harley 2000). Pare and Tremblay (2008: 333) cite several studies (e.g. Huselid 1995) that have revealed that high-involvement HR practices enhance employee retention. According to Pare and Tremblay (2008) this can be attributed to support theory that holds that when beneficial actions are directed towards employees they feel obligated to reciprocate these actions in a positive manner. Turnover intentions are reduced amongst employees if they believe their organisation values them and is investing in high involvement HR practices (Pare & Tremblay 2008: 333).

A US study found that 33% of all employees did not intend to stay with their employer in the next two years (Walker Information 1999 in Gordon & Lowe 2002). The study found that only 45% of employees felt a strong attachment to their organisation and believed it deserved their loyalty. The notion of 'reciprocal commitment' is a complex but pertinent issue needing attention by HR practitioners as a strategy for winning the war for talent.

Parker (2005) asserts that retaining good staff is a far cheaper strategy than recruiting and training new ones, especially in tight and competitive labour markets. Whilst organisations set aside budgets for recruitment, they overlook the need for having budgets to plan for and implement retention strategies. Cappelli (2000) on the other hand recognises that traditional retention programs cannot guarantee the retention of talent. Instead he expresses the opinion that employers would be far better off if they acknowledged that it was futile to expect that employees would not exit the organisation. Instead, what can be done is to control who leaves, and when they leave, so that the organisation can get the most out of an employee for the duration of their employment. Of note is also the necessity for assessing employee needs and wants in order to devise appropriate retention strategies.

Whilst Cappelli (2000) prescribes an approach involving controlling the timing, direction and speed of employee exits, Parker (2005) states that for a retention strategy to work it needs to be a proactive, and a concerted effort that starts during the interview process and continues for the employee's entire

tenure. The strategy should not only be about retaining young talent, but about recognising potential, minimising turnover, and creating a workplace where people are creative, cooperative and enthusiastic. Talent management and succession planning are notions worthy of attention in this context.

Jamrog (2004) predicts that with the skills shortage looming menacingly, retention and engagement will become issues of focus for employers. Jamrog (2004) forecasts that employers in their attempt to counter these shortages will most probably wait until there is a “burning platform” and then bid up wages, head hunt employees from their competitors, provide incentives to older workers to stay on the job, outsource whatever work they can and lobby government to increase the quota for skilled immigrants – a situation similar to what is currently transpiring in WA.

Jamrog (2004) is however critical of the “wait for the burning platform” approach of employers. He regards this ‘just-in-time’ strategy as reactive and unhelpful to organisations in their attempt to weather the storm. Instead he believes that organisations should be proactive by employing strategies that will build a culture that will retain and engage their best and brightest, that will rely less heavily on traditional pay and benefits and more on creating work environments that will allow employees to grow and develop. This is believed to build employee commitment and engagement, and give employees more choice for employment when shortages do occur. The authors concur with Jamrog (2004) that when faced with a situation where all pay and benefits remain the same, employees will look for organisations that fit their values and needs.

Some of the strategies that Jamrog (2004) considers will be instrumental in influencing engagement and retention include; strong leaders and supervisors who build relationships with their employees and treat them with dignity and respect; training and development opportunities; challenging work assignments; task variety; the creation of a culture of intellectual stimulation; building a team environment; appropriate and competitive remuneration, more immediate gratification and rewards for employees; making the experience of employees transferrable; creating a congenial work atmosphere and placing an emphasis on work/life balance for employees. Despite the prediction of

severe workforce shortages, Jamrog (2004) expresses optimism when he says “By working today to give supervisors the tools to slow or reverse the perceived decline of employee engagement and stem the potential turnover of key talent, companies can position themselves to weather the coming perfect storm”.

STAFFING CHALLENGES FOR ‘LESS DESIRABLE’ JOBS

In a study conducted on the experience of work related stress across 26 different occupations by Johnson, Cooper, Cartwright, Donald, Taylor and Millet (2005), six occupations were identified as having worse than average scores on three factors namely physical health, psychological well-being and job satisfaction. Zapf et al (1999 in Johnson et al 2005:184) state that the six occupations were ambulance drivers, teachers, social services, customer services/call centres, prison officers and police. All occupations involve considerable emotional labour, an element of work that is associated with work related stress. In discussing other factors that lead to the high stress levels experienced by these occupations, Zapf (2002) is cited by Johnson et al (2005: 184) as pointing out that these are roles that require either face to face, or voice to voice interaction (sometimes under difficult circumstances) with clients where they need to show positive emotions, and do so with adherence to strict rules.

Another possible determinant of job satisfaction is the social environment that has the potential to provide support and reduce role stress. Whilst the relationship between work, social environment and turnover is strong, Ducharme and Martin (2000) discovered a strong negative link between role stress and job satisfaction. Role stress and job burnout are generally experienced by employees who have a perceived risk of injury, or physical assault if they work in high risk, and less desirable jobs (Hall & Spector 1991). Burnout is generally experienced by individuals who work in human service professions. These jobs require a high degree of emotional investment where professionals cannot demonstrate their feelings outwardly.

Turnover is influenced by challenging assignments that keep employees motivated; attractive remuneration and benefits packages (Nankervis Compton & Baird 2008); value congruence (Chan

1996 in Taylor Murphy & Price 2004:651); and job equity. Turnover is also determined and influenced by factors external to the organisation such as job markets. The link between external factors such as unemployment rates and the economy has been firmly established by researchers and practitioners (Trevor 2001). It is therefore timely to examine the link between the environmental context, employee attraction and retention, and industry specific factors in the current phase of economic prosperity in WA.

There is substantial research that establishes a link between the constructs of human resource practices and retention. The challenges of attraction and retention of quality staff have given rise to increased attention being paid to organisations with a service and enforcement focus (e.g. English Barratt-Pugh Froyland Jones Maloney 2008). For organisations with an enforcement focus, in addition to acknowledging that managing offenders is a complex and difficult task, there is a realisation that the key to success is having sufficient employees who understand their role and are well trained (e.g. Department of Corrective Services Report 2006: 32).

In such cases, staff who successfully pass the selection process are offered employment as trainees and are then required to complete formal and lengthy training programs ranging from 12 weeks to 6 months. This is a fairly long induction period by most standards, and is a substantial investment of resources into training new recruits to make them job-ready. Given this evidence, it would follow that enforcement focused organisations would desire higher retention rates which in turn impact on productivity, morale and the efficient use of public monies (seeing most enforcement focused organisations are publicly funded agencies).

Enforcement officers are required to be approachable, good listeners and non-judgemental. For these employees the challenges are many and varied, including having to work with dangerous and at times psychologically unbalanced offenders under very difficult circumstances. It therefore follows that the pool of candidates for such positions would be limited due to the nature and environment of the job, as the right people would need to be attracted and once employed it is crucial that suitable human resource strategies are in place to keep staff committed and hence retain them.

To compound the challenges, public sector agencies face additional difficulties in attracting and retaining staff due to the highly regulated nature of the work environment, and limited opportunities for rewards and recognition outside established rules and guidelines. The image of the public sector as a modern and innovative workplace with the ability to recognise and reward talent can be questioned, in addition, for organisations with a service and enforcement focus the nature of the work is one that is established as ‘stressful’, ‘high risk’ and ‘less than desirable’ by some. Adding to this mix is the booming WA economy that is seeing unprecedented employment growth and prosperity in the State with which comes employment choice. Clearly these are unique work environments, and ones where additional research and study is required to unlock the solutions to corporate sustainability through staff attraction and retention.

THE CHALLENGES AHEAD

The quickening of the pace and complexity of global and local change is a ‘given’. In this environment, flexible, adaptable and responsive organisations will be the winners; the human resources within these organisations will provide the competitive edge. In this era of growth and uncertainty changes in demographics will pose significant challenges for organisations. The war for talent will therefore become even more fierce with the ‘winners’ securing and retaining skilled labour. Economic prosperity, as seen in the current resources boom in WA, will pose challenges for organisations that are unable to provide work environments and conditions that are seen as desirable by their workforce. Human resource management strategy, policy and practice will therefore be a key in ensuring ‘fit’ between employees and organisations. This matching will need to extend beyond generous compensation packages (such as those currently on offer in many sectors in WA such as mining) and consider the general work environment, nature of the job and employee values. Given the significant expense of losing skilled staff, investing in high involvement human resource management strategies is a small price to pay and one that can ensure organisational sustainability.

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