

AHRI HR PULSE:  
'LOVE 'EM DON'T LOSE 'EM'  
- IDENTIFYING RETENTION STRATEGIES THAT WORK



HRpulse





## FOREWORD

Retention and recruitment are often mentioned in the one breath. There are good reasons for that. Recruiting the right people into the right positions maximises the chances of engagement, long term loyalty and productivity. Getting recruitment wrong is a wasted effort all round. The recruits need to start again and the organisation needs to put resources into assisting them to move on.

Failed recruiting means the effort put into training and gaining product knowledge is lost and very often within the first 90 days of employment, according to some research. They are the best cases. The worst cases are those in which years of staff investment walk out the door. According to AHRI's second quarterly HRpulse survey, worst cases are on the increase and it's costing business dearly.

The figures are alarming and must be damaging to the national economy. Respondents to this HRpulse study are saying loud and clear that they know there's a problem, and someone in business needs to take a lead, put their hand up and fix it. There is evidence that HR is best placed to do that but there are obstacles. Is the responsibility delegated? If so, is it clear to whom it's delegated? Is there a budget to make it happen? Are interventions implemented? If so, are organisations learning from them?

Getting answers to these questions is critical, and business needs to take the issue seriously and act with a greater sense of focus and urgency.

**Peter Wilson AM**  
National President, AHRI



## THE HRPULSE PROJECT

During November 2007, The Australian Human Resources Institute (AHRI), in association with retention specialists TalentDrain, surveyed its membership database for the purposes of conducting this HRpulse study on what the HR community is doing to manage staff retention.

This document is a report of the findings from that study and is AHRI's second research report in the series of quarterly HRpulse surveys. The

HRpulse series is designed to enable AHRI members to express their views on topical issues affecting the profession. Feedback is welcome. Write to [research@ahri.com.au](mailto:research@ahri.com.au)

**Serge Sardo**  
Chief Executive Officer, AHRI

## ACKNOWLEDGEMENTS

Project director: Serge Sardo  
Research coordinator: Anne-Marie Dolan  
Report authors: John Asquith (TalentDrain),  
Serge Sardo, Paul Begley

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## EXECUTIVE SUMMARY

### BACKGROUND

Previous research has suggested that the average general rate of staff turnover in large Australian companies is 12.6 percent). This *HRpulse* survey suggests that rate is on the increase, with a calculated average of 17.4 percent for organisations with 1000 employees or more and an average of 18.5 percent across all organisations. The results also indicate that the length of time people are now expected to stay with an organisation is decreasing and stands at an average of only four years, with 75 percent of respondents expecting most employees will stay in the organisation for less than five years.

### IS STAFF RETENTION SEEN AS A PROBLEM?

A total of 64 percent of *HRpulse* respondents said retention was a problem, with 80 percent agreeing that it was a negative effect on organisational effectiveness and financial performance, and approximately 30 percent saying it seriously impacted on business performance. A 2007 estimate by Vedior Asia Pacific Employment Trends claims that when recruitment, training, specialist knowledge and productivity are considered, it can cost up to 150 percent of an employee's salary to replace a skilled position, and this has real consequences for the financial bottom line of companies. Based on these figures applied to a workforce of 10.1 million and using a conservative figure of 75 percent of an average \$55k salary, the cost to organisations based on Australian Bureau of Statistics data is conservatively estimated in the order of \$20 billion nationally.

### WHY DO PEOPLE LEAVE?

Research carried out in the UK by TalentDrain suggests the reasons given by departures in anonymous exit surveys are often at variance with assumptions made by HR departments and management. The respondents to this *HRpulse* survey indicate that inadequate pay and lack of promotion opportunities are the main two contributors to turnover. A poor relationship with managers or supervisors was given as the third reason for leaving, followed by lack of training and development, and poor work-life balance.

A 2007 study by Insync Surveys based on exit data found that the top five reasons for departures that were within the employer's control were job satisfaction (14 percent), poor career advancement prospects (13 percent), inadequate pay and conditions (11 percent), work-life balance (10 percent), and lack of challenge (8 percent).

That data from job leavers suggests a different ranking of reasons for departure compared with the views of HR managers in the *HRpulse* study, indicating a degree of disconnect between employee and management perspectives on turnover. While data from anonymous exit surveys are regarded as reasonably reliable, certainly more reliable than exit surveys that are not anonymous, there are sound reasons for believing that staff on the point of departure have reasons to be less than fully truthful when giving reasons for leaving, especially if they are interested in maintaining a harmonious network in the profession and a healthy reputation in the industry.

### WHAT IS BEING DONE ABOUT THE PROBLEM?

Only 21.5 percent of *HRpulse* respondents are happy with the current levels of staff turnover. The majority (76 percent) want to reduce turnover and around 40 percent have set annual reduction targets. However, only 23 percent of respondents have individual performance targets linked to levels of turnover or staff engagement.

## WHO IS RESPONSIBLE?

Only 37 percent of respondents were able to answer this question, and of those who gave answers, only 22 percent believe the primary responsibility rests with HR. The overwhelming view is that this is a business management issue. However, the fact that 85 percent of respondents believe the HR function has an adequate understanding of and professional commitment to staff retention, is some indication that HR has a key role in providing business with solutions to manage the issue. One of the main obstacles appears to be a failure to recognise that implementation of a retention policy will cost money, with 70 percent of respondents admitting no budget allocations designated to retention initiatives within their organisations.

A business case for retention can easily be mounted and a return on investment (ROI) can be achieved. In the circumstances, it is reasonable to make the assumption that it's a responsibility of HR to assist management to understand the financial benefits of investment in retention, including the types of intervention that work.

## MOST POPULAR INTERVENTIONS

There is a general recognition that the period of highest risk for staff turnover is in the first few months of a person being recruited, with some studies indicating that 47 percent of turnover occurs within the first 90 days of employment (Recruitment Solutions April 2007). According to that survey, 60 percent of respondents highlighted improvements in induction as a priority area for investment. Approximately 40 percent of respondents reported initiating the following interventions within their organisations during the 12 months preceding the survey:

- Better employee communication
- Increased learning and development opportunities
- Improvements to selection techniques
- Increases in pay.

However, fewer than one in five respondents (18 percent) claim that the effectiveness of interventions to reduce reasons for leaving, is measured. That figure confirms the view that while many organisations say they are collecting some form of data, they are not taking the next critical step of using the data for effective measuring and monitoring of performance.

## ARE THE INTERVENTIONS ADEQUATE?

Only 18 percent of *HRpulse* respondents believe the organisation for which they work is well prepared for what is expected to be a continuing labour crisis as low unemployment and skills shortages, combined with a growing economy, put further strain on the supply of the key talent required to lead business. Key steps that HR departments and businesses would need to take to deal with these issues include:

1. Allocating responsibility and budget to staff retention initiatives
2. Setting targets and identifying costs and benefits
3. Ensuring that the right tools are in place to identify and measure the key issues and monitor improvements.

## KEY FINDINGS

### DEMOGRAPHICS

The survey attracted a response rate of 1007 individuals from the Australian Human Resources Institute database over a two week period in November 2007. Respondents were contacted by email and completed the survey online.

A representation of the respondent breakdown in terms of job role, organisation size and industry sector is set out in tables 1, 2 and 3 below.

Job type	Job role	Total
HR	Assistant HR Director / Assistant Head of HR Function	44
	Business Manager	30
	HR Business Partner	30
	HR Consultant	194
	HR Director / Head of HR Function	128
	HR Manager	338
	HR Policy Advisor	37
<b>HR Total</b>		<b>801</b>
Management	CEO	15
	Line / Business Unit Manager	28
	Senior Executive team	24
	Team Leader / Supervisor	28
<b>Management Total</b>		<b>95</b>
Other	Academic	5
	Consultant	53
	Other	36
	Student	17
<b>Other Total</b>		<b>111</b>
<b>GRAND TOTAL</b>		<b>1007</b>

Employees	Total
1,000 +	321
100-249	176
250-499	137
500-999	123
50-99	110
Less than 50	140
<b>GRAND TOTAL</b>	<b>1007</b>

Industry type	Industry sector	Total
Engineering and Construction	Construction	36
	Electricity, Gas, Water and Waste Services	32
	Information, Media and Telecommunications	56
	Manufacturing	70
	Transport, Postal and Warehousing	40
<b>Engineering and Construction Total</b>		<b>234</b>
Professional Services	Administrative and Support Services	22
	Financial and Insurance Services	95
	Other Services	171
	Professional, Scientific and Technical Services	125
	Wholesale Trade	23
<b>Professional Services Total</b>		<b>436</b>
Public Services	Education and Training	68
	Health Care and Social Assistance	99
	Public Administration and Safety	66
<b>Public Services Total</b>		<b>233</b>
Resources	Agriculture, Forestry and Fishing	18
	Mining	46
<b>Resources Total</b>		<b>64</b>
Retail and Entertainment	Accommodation and Food Services	18
	Arts and Recreation Services	15
	Rental, Hiring and Real Estate Services	7
<b>Retail and Entertainment Total</b>		<b>40</b>
<b>GRAND TOTAL</b>		<b>1007</b>

## SUMMARY OF FINDINGS

The *HRpulse* study is structured to gain an insight into the seriousness of the issues relating to retention and staff turnover, how organisations are trying to understand them and what is being done about them. The four key sections of the survey are as follows:

- 1. Organisational profile:** The intention of this section is to establish some key demographic data concerning the person completing the survey and the organisation they represent.
- 2. Labour turnover:** This section examines the level of turnover being experienced, its impact and what are perceived to be the main reasons for staff departures.
- 3. Retention strategy:** This section looks at approaches being taken to tackle retention issues and who is responsible. It also examines the adequacy of resources available, including budgetary resources, and the typical retention initiatives being undertaken. In addition, it looks at how effective organisations are in coming to terms with the issues.
- 4. Monitoring and measuring:** This section examines the types of data being collected, the mechanisms employed to collect the data, and the extent to which the information derived is being used to drive improvements.

A final section calls for responses to open questions on actions that could be taken to remedy the shortcomings in retention.

## LABOUR TURNOVER

### 1. RATES OF TURNOVER

While previous research has revealed an average rate of staff turnover in large Australian companies in the order of 12.6 percent (AIM National salary survey 2007), the results of this *HRpulse* survey indicates the rate is on the increase, with medium sized organisations experiencing the highest levels of turnover.

Table 4 shows a calculated average for large organisations of 17.4 percent compared with an average of 18.5 percent across all organisations.

Employees	Average turnover	Average expected tenure (months)
1,000 +	17.4%	57
500-999	19.3%	41
250-499	20.4%	44
100-249	19.3%	55
50-99	17.1%	41
Less than 50	18.0%	42
<b>GRAND TOTAL</b>	<b>18.5%</b>	<b>48</b>

Table 5 indicates the average length of time people are now expected to stay within an organisation is 48 months or four years. That figure is equivalent to an average annual turnover rate of 25 percent, with just over 75 percent of respondents expecting the majority of their employees to stay with the organisation for five years or less. On those figures staff turnover is likely to become greater if steps are not taken to redress the trend.

Expected tenure	Total of organisations
< 6 months	0.5%
6 - 12 months	4.2%
1 - 2 years	17.4%
2 - 3 years	31.2%
4 - 5 years	22.5%
> 5 years	19.6%
Unsure	4.7%
<b>GRAND TOTAL</b>	<b>100.0%</b>

Table 6 shows that some industry sectors are more affected by high staff turnover than others, with accommodation and food services having the highest average rates of turnover at around 40 percent per annum, and utility services having the lowest at 10.6 percent.

Industry sector	Average turnover
Accommodation and Food Services	40.3%
Rental, Hiring and Real Estate Services	28.3%
Arts and Recreation Services	22.6%
Agriculture, Forestry and Fishing	20.8%
Information, Media and Telecommunications	20.6%
Other Services	19.8%
Health Care and Social Assistance	19.6%
Wholesale Trade	19.5%
Financial and Insurance Services	19.4%
Construction	18.5%
Professional, Scientific and Technical Services	18.2%
Transport, Postal and Warehousing	17.9%
Manufacturing	17.2%
Mining	16.7%
Administrative and Support Services	16.7%
Public Administration and Safety	14.1%
Education and Training	13.1%
Electricity, Gas, Water and Waste Services	10.6%
<b>GRAND TOTAL</b>	<b>18.5%</b>

In summary, a recent estimate claims that when recruitment, training, specialist knowledge and productivity are considered, it can cost up to 150 percent of an employee's salary to replace a skilled position (2007 Vedior Asia Pacific Employment Trends survey). The Australian Bureau of Statistics estimates Australia has a workforce of 10.1 million people. Using a conservative figure of 75 percent of an average salary of \$55,660.80, the cost to of staff turnover to organisations is estimated in the order of \$20 billion nationally.

## RESPONDENT COMMENTS

*"We need to provide a culture where people are proud to be associated with the company and enjoy coming to work"*

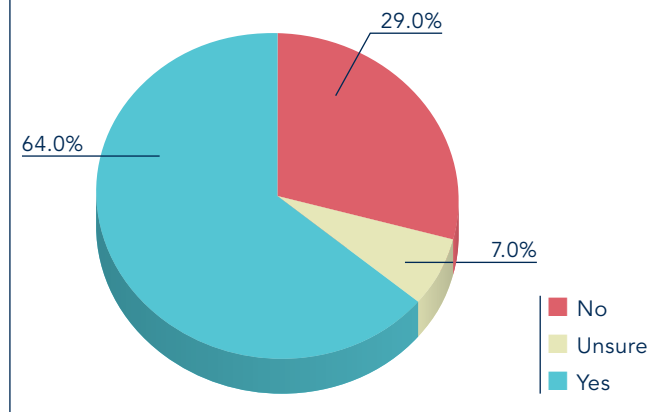
*"We are not investing enough in our current employees"*

*"Loyalty programs and recognition of work performance will help"*

## 2. EFFECTS OF TURNOVER

It needs to be said that not all staff turnover is harmful to an organisation, and there can be a number of benefits associated with bringing in new people with new skills and ideas, and allowing others to leave. However, beyond a certain point, staff turnover becomes a negative issue. According to Figure 1 below, more than two out of three respondents to the HRpulse survey (71 percent) thought either that point had been reached in their organisation (64 percent) or were unsure (7 percent) whether retention had become a problem area.

FIGURE 1 - ORGANISATIONS EXPERIENCING RETENTION DIFFICULTIES



In addition to looking at the extent to which staff turnover is perceived to be a major issue in Australian organisations, table 8 shows the perceived impact on both the effectiveness of the organisation to do business and the financial performance of the organisation.

Effect of turnover on effectiveness?	Impact on financial performance?	Is your organisation suffering from staff retention difficulties?			GRAND TOTAL
		No	Unsure	Yes	
Minor negative effect	Minor negative effect	14.00%	3.87%	26.71%	44.59%
	No effect	4.07%	1.39%	3.67%	9.14%
	Positive effect	0.40%	0.10%	0.30%	0.79%
	Serious negative effect	0.99%	0.30%	4.07%	5.36%
<b>Minor negative effect Total</b>		<b>19.46%</b>	<b>5.66%</b>	<b>34.76%</b>	<b>59.88%</b>
No effect	Minor negative effect	1.39%	0.20%	0.10%	1.69%
	No effect	2.38%	0.30%	0.50%	3.18%
	Positive effect	0.10%	0.00%	0.00%	0.10%
<b>No effect Total</b>		<b>3.87%</b>	<b>0.50%</b>	<b>0.60%</b>	<b>4.97%</b>
Positive effect	Minor negative effect	1.39%	0.20%	0.30%	1.89%
	No effect	0.79%	0.00%	0.10%	0.89%
	Positive effect	0.89%	0.00%	0.00%	0.89%
	Serious negative effect	0.10%	0.00%	0.00%	0.10%
<b>Positive effect Total</b>		<b>3.18%</b>	<b>0.20%</b>	<b>0.40%</b>	<b>3.77%</b>
Serious negative effect	Minor negative effect	0.70%	0.40%	10.82%	11.92%
	No effect	0.10%	0.10%	0.89%	1.09%
	Positive effect	0.00%	0.00%	0.10%	0.10%
	Serious negative effect	1.39%	0.10%	16.78%	18.27%
<b>Serious negative effect Total</b>		<b>2.18%</b>	<b>0.60%</b>	<b>28.60%</b>	<b>31.38%</b>
<b>GRAND TOTAL</b>		<b>28.70%</b>	<b>6.95%</b>	<b>64.35%</b>	<b>100.00%</b>

Table 7 shows that 64.35 percent of HRpulse respondents believe their organisations are suffering some form of negative effect from staff turnover while for 31.38 percent of organisations, the negative impact on business effectiveness is considered a serious business issue. Those figures amount to a total of 95.74 percent of respondents who see the issue as a business negative.

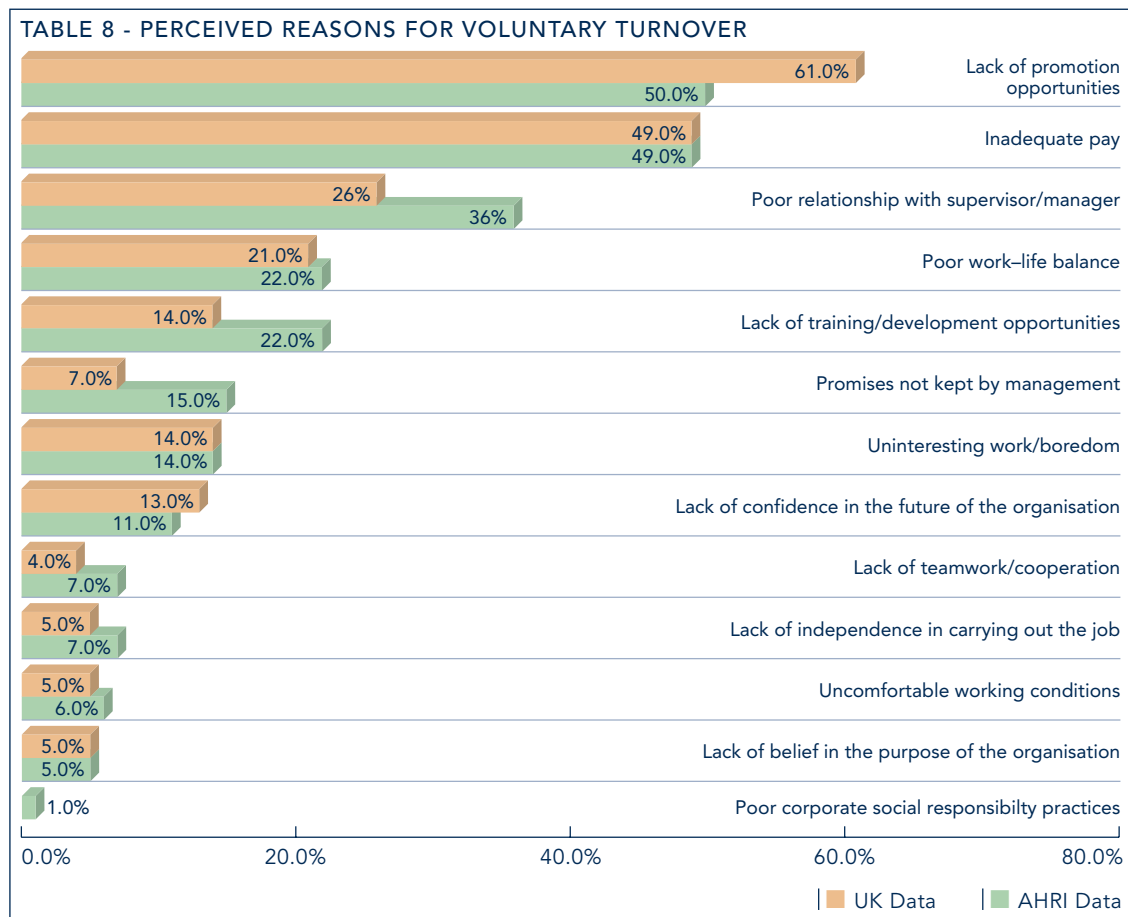
### RESPONDENT COMMENTS

*“Senior management need to acknowledge and understand the impact of a tightening labour market”*

*“Make staff retention a focus like bottom line is a focus”*

### 3. WHY PEOPLE LEAVE

The HRpulse survey respondents were asked to identify what they believed were the three most common reasons for staff departures from a selection list of thirteen. A recent survey by TalentDrain in the UK asked the same questions, using the first twelve factors. The comparative findings are set out in table 8.



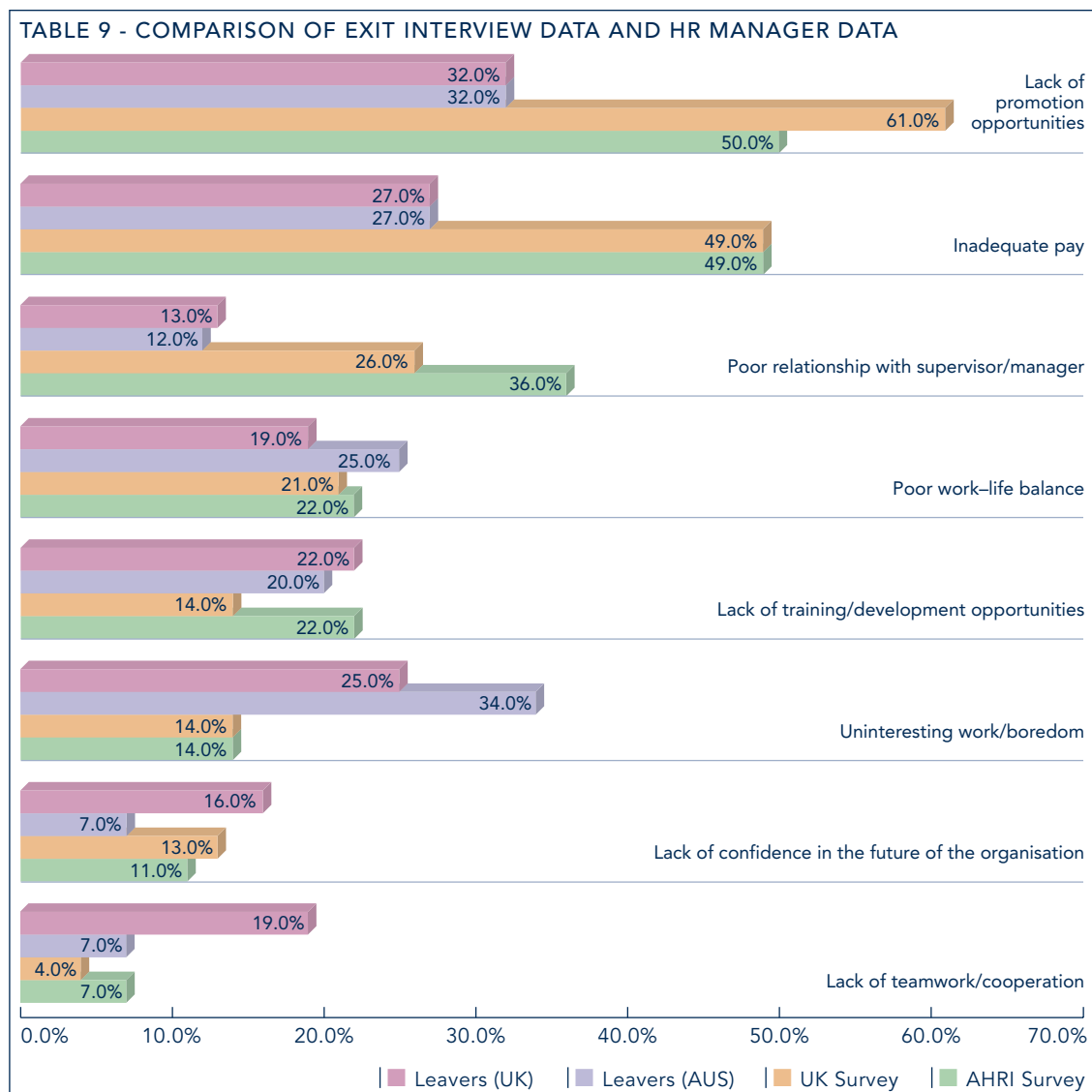
The HRpulse survey looked at a thirteenth factor of poor social responsibility practices of employers which revealed a low rating in the order of 1 percent. The ranking of factors by respondents to the AHRI’s survey suggest that poor promotion opportunities is the biggest single factor, followed closely by inadequate pay, with poor manager relations in third position. The order of ranking is consistent in both surveys though the numbers vary somewhat in the case of the first and third factors.

Poor promotion opportunities are seen as a greater problem in the UK, perhaps reflecting a greater competition for top jobs in the UK compared to Australia. The relationship with managers, especially when combined with the factor on promises not kept by management, is considered a significantly bigger issue in Australia than in the UK.

A recent Australian study based on exit data found that the top five reasons for departures that were within the employer’s control were job satisfaction (14 percent), poor career advancement prospects (13 percent), inadequate pay and conditions (11 percent), work-life balance (10 percent), and lack of challenge (8 percent). (See the Insync Surveys Retention Review, September 2007.)

However, when the AHRI *HRpulse* reasons for departure are compared to TalentDrain data from approximately 10,000 UK exit samples and the Australian Insync exit data, there is a consistent discrepancy between the perceptions of managers and job leavers about the reasons for leaving. This was especially the case in relation to the three top areas of lack of promotion opportunities, inadequate pay and poor relationship with manager. For example, table 9 reveals that 36 percent of the AHRI *HRpulse* respondents consider the relationship between employees and their manager is a key reason for leaving, whereas the exit data from job leavers suggests an equivalent proportion of only 12 percent, a figure that compares closely with UK leaver data of 13 percent.

Among the possible explanations for those discrepancies is the failure of HR managers to make reliable judgements about the real reasons for employees leaving. That said, equal scepticism should be cast on data from job leavers themselves who may have a number of good reasons to be less than fully truthful when reporting reasons for departure, especially when there is a potential to burn bridges by being truthful.



When the AHRI *HRpulse* data is examined according to size of organisation, some additional observations can be made that show another perspective on reasons for departures. The data in Figure 10 shows that, in general, large organisations have potentially greater issues with respect to the top six key reported factors compared with smaller organisations, especially those with fewer than 50 employees. Examples include the following observations:

- Lack of promotion opportunities is ranked in the top three reasons by 55.5 percent of the largest organisations compared to 45 percent of the smallest organisations
- Inadequate pay is ranked in the top three reasons by around 57 percent of organisations with between 250 and 1000 employees, compared to 37.9 percent of the smallest organisations
- Relationship with managers is considered much less of a problem for the smallest organisations (22.9 percent) compared to an average of 36.4 percent of respondents in larger organisations reporting the issue as a problem
- Work-life balance is a somewhat bigger issue for larger organisations as a reason for leaving compared to smaller organisation (25.2 percent compared with an average of 22.3 percent)
- Lack of training and development opportunities is given as a reason for leaving by only 15 percent of the smallest organisations compared to 27.4 percent of the largest organisations
- The main issues negatively affecting turnover for smaller organisations include boredom and uninteresting work, lack of confidence in the future of the organisation, and lack of teamwork and cooperation.

TABLE 10 - REASONS FOR LEAVING, ACCORDING TO SIZE OF ORGANISATION

Reasons for leaving	Size of organisation						All
	< 50	50-99	100-249	250-499	500-999	1,000 +	
Lack of promotion opportunities	45.0%	44.5%	56.3%	46.0%	44.4%	55.5%	50.3%
Inadequate pay	37.9%	48.2%	50.6%	56.2%	57.3%	48.3%	49.4%
Poor relationship with supervisor / manager	22.9%	38.2%	38.1%	36.5%	37.1%	40.5%	36.4%
Poor work-life balance	22.1%	17.3%	22.7%	19.0%	22.6%	25.2%	22.3%
Lack of training / development opportunities	15.0%	20.0%	22.2%	21.2%	18.5%	27.4%	22.0%
Promises not kept by management	15.7%	10.0%	15.3%	8.8%	15.3%	19.6%	15.3%
Uninteresting work / boredom	10.7%	18.2%	13.6%	18.2%	16.9%	12.5%	14.4%
Lack of confidence in the future of organisation	12.1%	15.5%	10.2%	8.0%	10.5%	9.7%	10.6%
Lack of teamwork / cooperation	13.6%	9.1%	9.1%	2.9%	7.3%	5.3%	7.4%
Lack of independence in carrying out the job	10.0%	4.5%	5.7%	7.3%	8.9%	5.6%	6.7%
Uncomfortable working conditions	7.1%	1.8%	5.1%	5.8%	8.9%	7.8%	6.4%
Lack of belief in the purpose of the organisation	8.6%	3.6%	5.1%	4.4%	5.6%	2.5%	4.6%
Poor corporate social responsibility practices	0.0%	3.6%	0.6%	0.0%	1.6%	0.0%	0.7%

## RESPONDENT COMMENTS

*"We should offer more structured approaches to pay rates for high potential employees"*

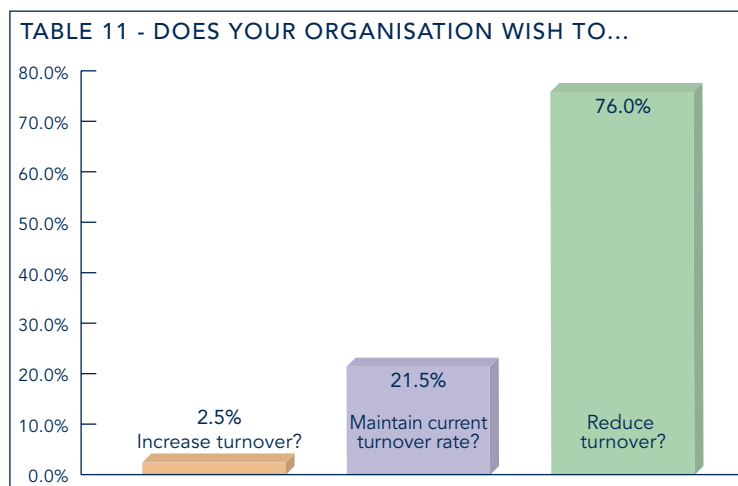
*"Develop longer term strategies to help develop loyal and committed staff"*

*"Identify the key talent we want to retain and work with managers and the individuals to develop plans for their future career"*

## RETENTION STRATEGIES

### 1. TARGETS AND RESPONSIBILITIES

With an apparent increase in staff turnover on the increase, as revealed in the findings of this *HRpulse* survey, in the absence of effective interventions businesses can expect a continuation of increasing costs and difficulties in recruiting and training new staff that stay. In view of the impact that staff turnover causes in terms of losing key skills, experience and working relationships with clients and other staff, it is not surprising to note in table 11 that three out of four *HRpulse* respondents (76 percent) put a priority on reducing staff turnover.



If they are to make sense, alongside any objectives or targets there must be an allocation of responsibility to ensure targets are achieved. So, who is responsible for achieving improved retention?

To answer this question, the *HRpulse* survey set out to establish the proportion of organisations where responsibility had been clearly allocated.

**TABLE 12 - IS RESPONSIBILITY FOR RETENTION CLEARLY ALLOCATED?**

Does your organisation want to...	No	Unsure	Yes	GRAND TOTAL
Increase turnover?	68%	8%	24%	100%
Maintain current turnover rate?	46%	15%	39%	100%
Reduce turnover?	53%	10%	37%	100%

As indicated in table 12, only 37 percent of respondents claim their organisation has a plan to reduce turnover, suggesting a poor likelihood for many organisations of making headway in this area.

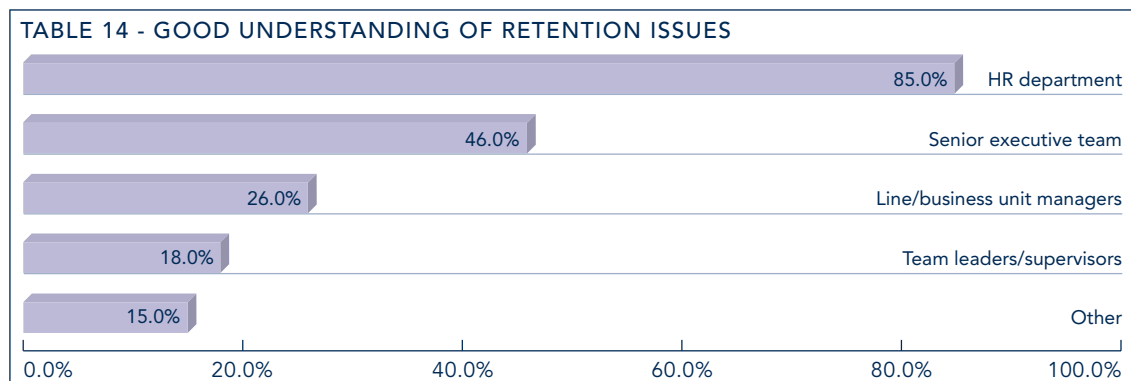
Where organisational responsibility has been undertaken for retention, table 13 sets out what HRpulse respondents say about which group assumes primary responsibility for delivering on that undertaking. The intention of that question is to attempt to understand whether there is some clarity with respect to this question or whether different groups within the organisation assume that others are responsible.

**TABLE 13 - PRIMARY RESPONSIBILITY FOR RETENTION**

Job type of respondent	Which group has primary responsibility?					GRAND TOTAL
	HR department	Business unit managers	Senior executive team	Team leaders / supervisors	Other	
HR	24.1%	31.6%	38.1%	5.5%	0.7%	100.0%
Management	15.6%	21.9%	46.9%	9.4%	6.3%	100.0%
Other	38.2%	20.6%	32.4%	2.9%	5.9%	100.0%

## 2. UNDERSTANDING AND IMPLEMENTATION OF RETENTION INTERVENTIONS

The majority of answers from both HR and management respondents to the question about primary responsibility for retention is that it rests with the senior executive team rather than the HR department.



The concern that arises from the finding in table 13 is apparent when looking at table 14 on who in the organisation best understands retention issues. The answer from 85 percent of respondents is the HR department. This would indicate that HR has a distinct role to play in supporting and advising the senior executive group in providing retention solutions. However, solutions require adequate budgetary allocations. Figure 2 reveals that only 14 percent of respondents were able to recall an identifiable and discrete budget allocation for retention.

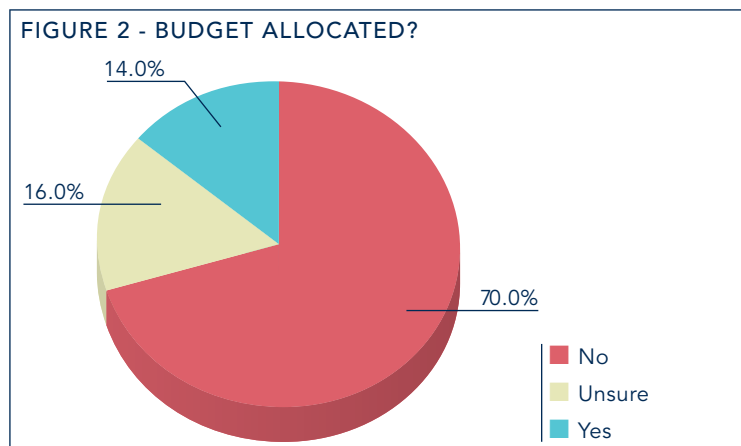
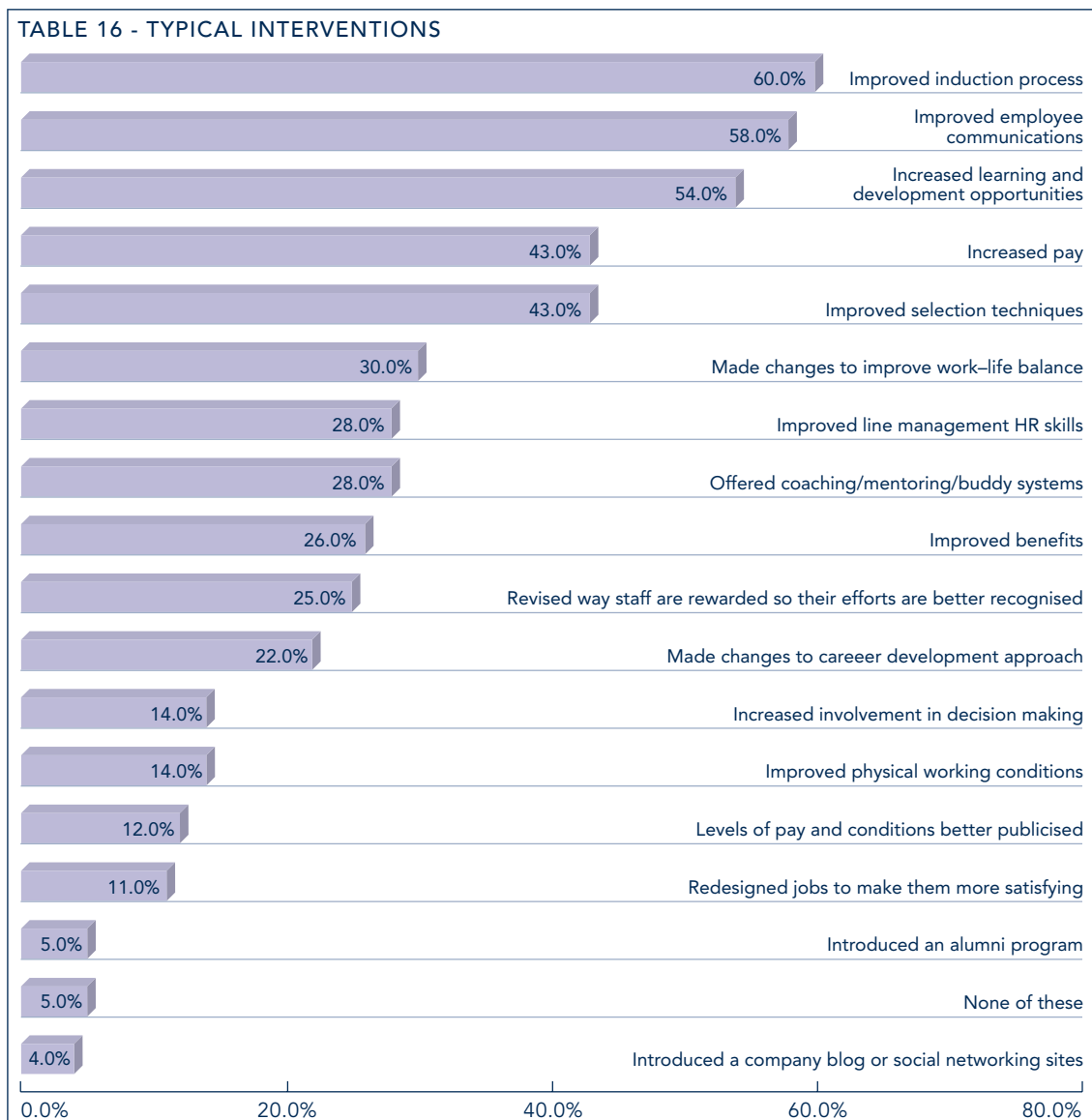


Table 15 shows how respondents from different roles and functions answered the question about budget allocations. Not surprisingly, junior respondents tend to be more unsure or unconvinced about budget allocations than respondents in more senior positions. Of CEO respondents, 46.7 percent claimed a designated budget allocation existed. However, the fact that only 12.24 percent of HR directors (or heads of HR functions) and 15.74 percent of senior executives and senior managers were aware of a budget allocation suggests there may well be cases of budget allocations that are not revealed down the line, including the HR department or the management team. A substantial 56.02 percent of team leaders reported being unsure of whether there was a budget while 41.14 percent were sure there wasn't one, with a mere 2.84 percent reporting knowledge of a budget line for retention.

Job type	Job Role	Budget allocated?			GRAND TOTAL
		No	Unsure	Yes	
HR	Assistant HR Director / Assistant Head of HR	81.39%	3.68%	14.93%	100.00%
	Business Manager	79.12%	7.10%	13.79%	100.00%
	HR Business Partner	70.26%	14.04%	15.70%	100.00%
	HR Consultant	62.79%	23.98%	13.24%	100.00%
	HR Director / Head of HR Function	84.73%	3.04%	12.24%	100.00%
	HR Manager	79.81%	6.44%	13.75%	100.00%
	HR Policy Advisor	73.60%	14.49%	11.91%	100.00%
<b>HR Total</b>		<b>75.69%</b>	<b>10.89%</b>	<b>13.42%</b>	<b>100.00%</b>
Management	CEO	53.30%	0.00%	46.70%	100.00%
	Line / business unit manager	69.65%	14.60%	15.75%	100.00%
	Senior executive team	68.41%	15.86%	15.74%	100.00%
	Team leader / supervisor	41.14%	56.02%	2.84%	100.00%
<b>Management Total</b>		<b>57.10%</b>	<b>25.67%</b>	<b>17.24%</b>	<b>100.00%</b>
<b>GRAND TOTAL</b>		<b>70.21%</b>	<b>16.51%</b>	<b>13.28%</b>	<b>100.00%</b>

Despite responsibilities and budgets being unclear in many cases, many organisations reported taking action in the area. The most typical interventions are set out in table 16.



A total of 60 percent of respondents reported improvements in the induction process as an intervention, no doubt reflecting the increasing incidence of high staff turnover during the first 90 days of employment. A study by Recruitment Solutions in April 2007 indicated that 47 percent of staff turnover occurs during that period.

The contribution to turnover of a perceived lack of learning and development opportunities is perhaps reflected in the 54 percent of respondents who reported an increase in training as an intervention. However, the turnover attributed to lack of promotion opportunities does not seem to be reflected in the number of organisations making changes to the way they manage talent and career development, with only 22 percent of respondents reporting any intervention in that area.

Overall, there is doubt that the initiatives undertaken are enough, with only 18 percent of respondents agreeing that their organisation is well prepared for a labour shortage and 60 percent disagreeing or strongly disagreeing. (see table 17).

Tables 18 and 19 show two interventions in which there has been some progress, namely improving the employer brand and operating an efficient recruitment process.

TABLE 17 - ORGANISATION IS WELL PREPARED FOR A LABOUR SHORTAGE

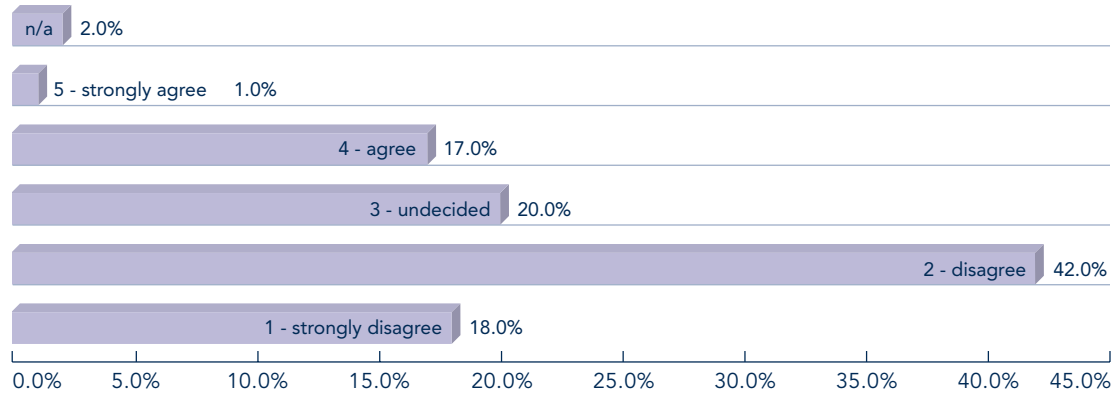


TABLE 18 - ORGANISATION HAS DEVELOPED A POSITIVE EMPLOYER BRAND

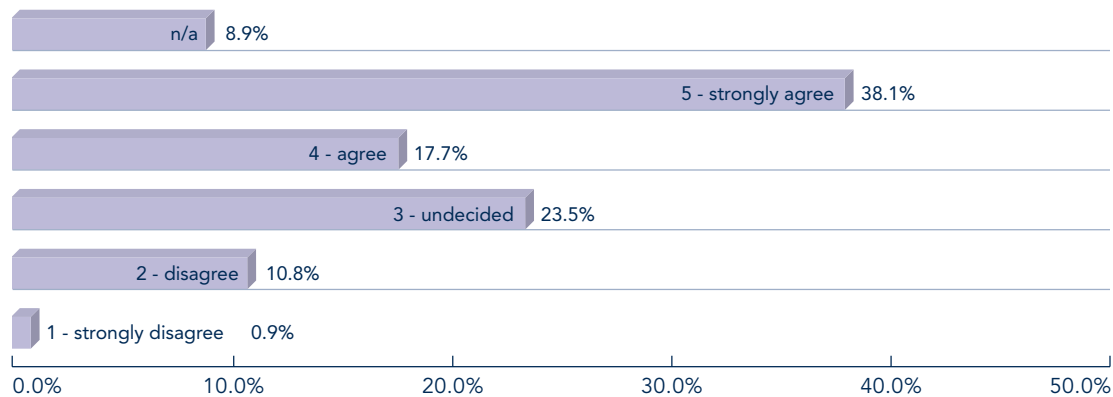
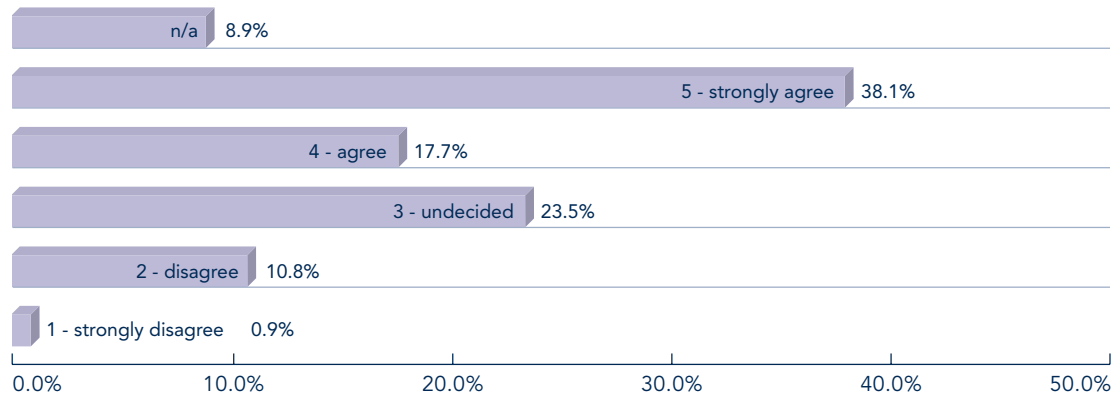


TABLE 19 - ORGANISATION OPERATES AN EFFICIENT RECRUITMENT PROCESS



## RESPONDENT COMMENTS

*"Communication courses are a good way to start - how to influence the top and the bottom"*

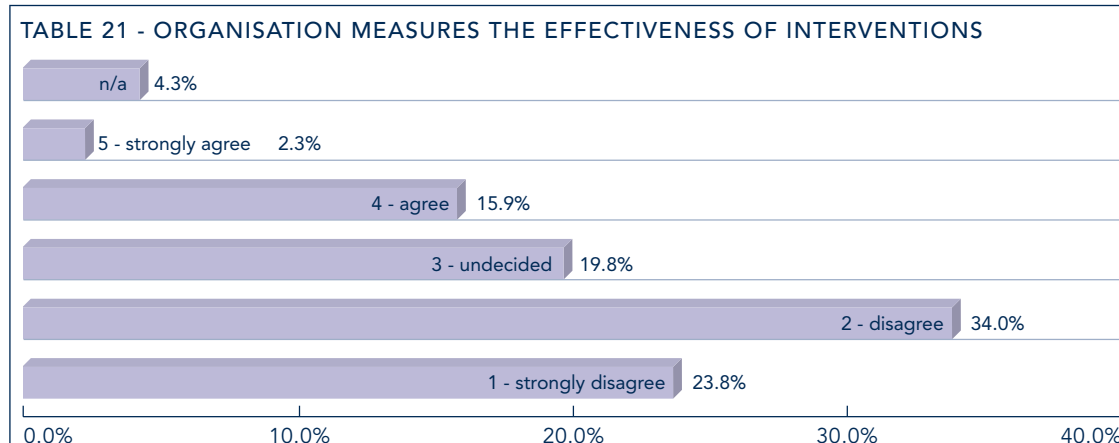
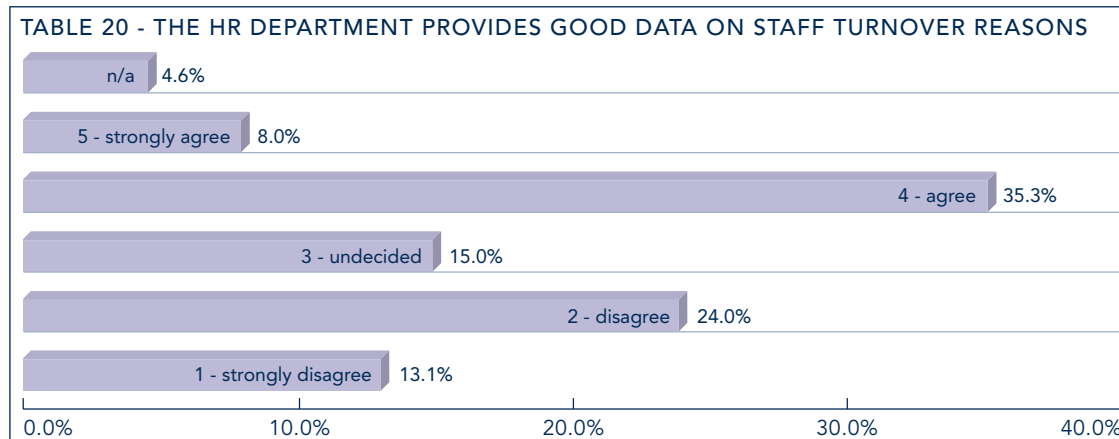
*"Get the right people on the bus first time, rather than just getting 'bums on seats' to cope with the workload"*

*"Organisations need to take a longer term focus instead of letting reactionary, short term agendas dominate"*

## MONITORING AND MEASURING

### 1. MEASUREMENT AND PERFORMANCE

It is clear that in order to effectively manage staff turnover and retention, control systems need to be put in place to monitor and measure interventions. The *HRpulse* survey asked some preliminary questions about whether that was being done effectively.



As indicated in table 20, approximately 43 percent of respondents thought the HR department was providing useful data on reasons for staff turnover, assuming in all probability that the data would be used to prioritise and drive interventions to prevent more churn. Table 21 shows, however, that only 18 percent of respondents agree that the effectiveness of interventions is measured, which is an indication that the capacity for following through is flawed.

It is probably reasonable to assume that measurements are more likely to have an impact if they are used as part of responsible individuals' performance targets. On that basis the *HRpulse* survey asked respondents whether their performance targets were related to staff engagement or levels of turnover.

TABLE 22 - MY PERFORMANCE IS EVALUATED AGAINST STAFF ENGAGEMENT AND/OR TURNOVER TARGETS

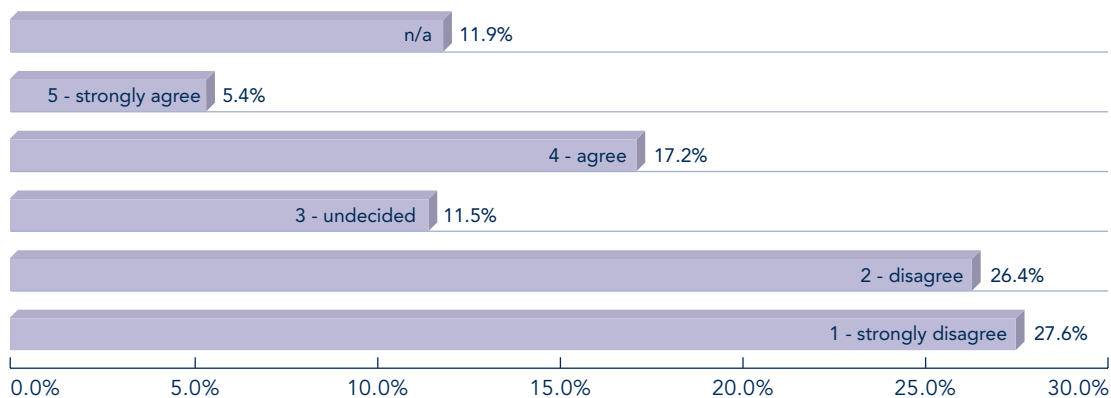


TABLE 23 - AVERAGE SCORES OF WHETHER INDIVIDUAL PERFORMANCE TARGETS RELATE TO STAFF TURNOVER AND/OR ENGAGEMENT

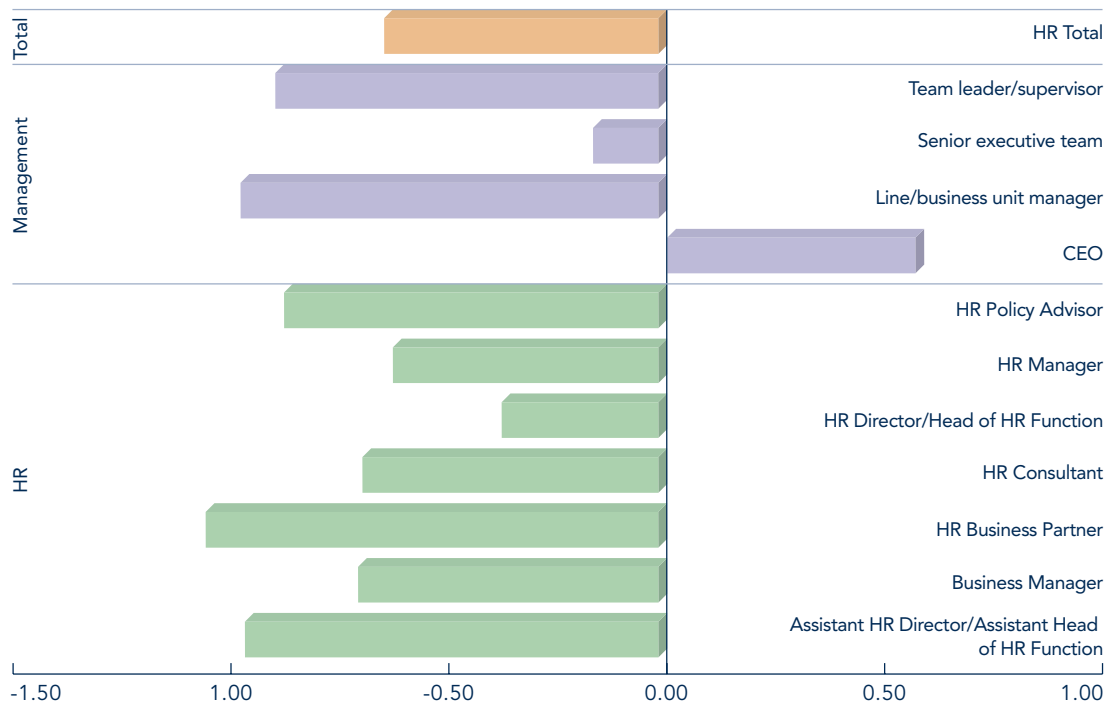


Table 22 shows that 22.6 percent of respondents have an individual target. Table 23 indicates the normalised average scores for different roles to show which ones are more or less likely to have targets. When it comes to who is really measured, it would appear that CEOs are taking responsibility for setting targets, but are not effectively distributing them as action items to areas of the business where they can be implemented.

## 2. MEASUREMENT PROCESSES

There are a number of ways that organisations can monitor and measure the levels of and reasons behind staff turnover. Table 24 sets out a list of common measurement process options and their use by organisations participating in the survey. The table shows the highest proportion of organisations that use data to shape their retention strategies are the organisations that use both employee surveys (59 percent) and face to face exit interviews (65 percent).

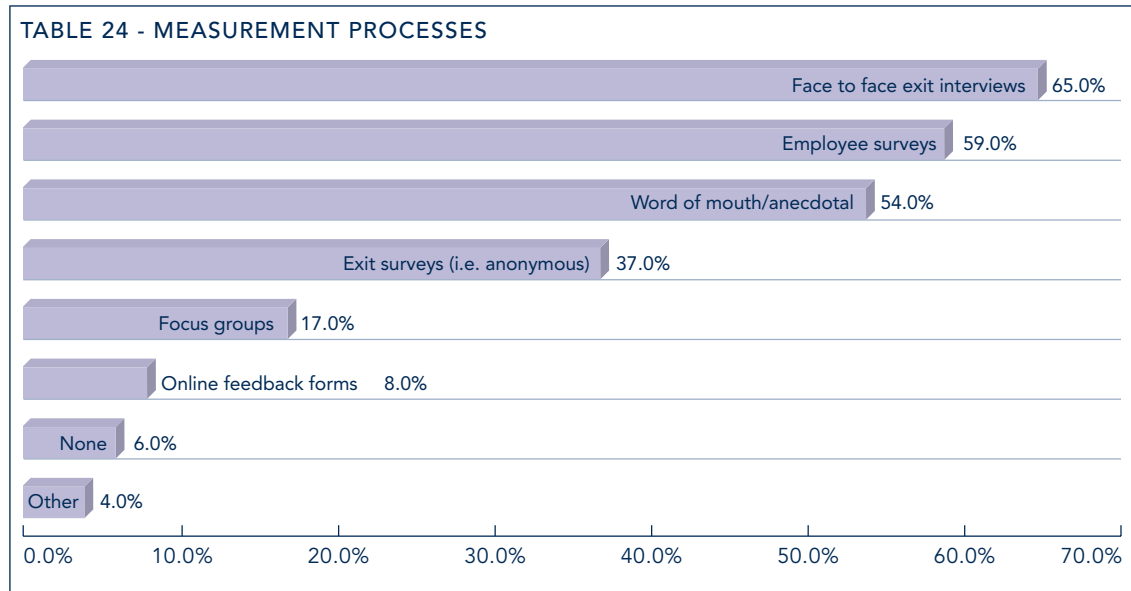


Table 25 appears to be an admission by more than half the respondents that survey and exit data is used to understand and shape retention strategies, but only in general and unspecific ways. The numbers are less convincing when it comes to organisations undertaking systematic collation and analysis of data to drive targeted interventions. That is a journey on which many organisations are yet to embark.

**TABLE 25**

Question	Yes	No	Unsure
1. Does your organisation use staff surveys or exit data to shape retention strategies?	59.0%	31.1%	9.9%
2. Do you systematically collate exit interview or survey data to diagnose retention issues?	44.6%	47.0%	8.3%
3. Do you use your exit data to understand why your higher performers leave?	51.7%	38.0%	10.3%
4. Does your exit data analysis typically result in targeted interventions?	27.8%	56.6%	15.6%

### RESPONDENT COMMENTS

*"Communicate, communicate, communicate - the facts, the numbers and the effect on bottom line"*

*"We need more measurement tools and training in how to use them effectively"*

## CONCLUSION

Retention is one of those areas in business where listening to what people in organisations say is not necessarily a reliable indication of what organisations actually do.

One of the reasons for that has to do with the fact that, while it's generally thought to be meritorious for businesses to retain their staff, it's also a tenet of received wisdom that it's a good thing to bring a certain amount of new blood into the business, and to encourage stale or disaffected staff to look elsewhere for employment. So in most cases strong retention cannot simply be taken to be synonymous with a zero turnover figure. Some turnover can be a good thing.

There are also times in business when decisions need to be made to let valued and productive staff go. Businesses merge with other businesses or are acquired, there are necessary organisational restructures, the core business may undergo adjustments that affect the customer base and staff requirements, and there are economic downtimes and downturns.

In all these cases both highly productive and less productive staff may be invited to leave and are not replaced or not replaced immediately.

For the reasons just stated managers in organisations may well support strong retention along policy lines while still engaging in decision making that result in staff turnover. While many of those decisions will be legitimate and in the company's best interest, it is generally recognised that a number of decisions that lead to or result in staff departures are made for poor or illegitimate reasons based on judgements marked by things such as personal preference, nepotism or fear. Some managers, for example, do not like having a high performer in their team because they believe it displays their inadequacies and they feel threatened. That is not a good reason to encourage a high performer to leave but it probably happens.

Taken case by case, then, many departures may be a good thing for the business. However, if it becomes apparent that the business is exposed to a shortage of appropriate skills, aptitudes and corporate memory, the net result of turnover begins to be seen as a failure to retain enough or the right mix of staff and is finally identified as a serious business issue.

AHRI's *HRpulse* survey would support the position that staff turnover can become a retention problem if turnover is not monitored with appropriate data and systematically analysed by people who can undertake the analysis intelligently and are empowered to intervene as required to alert the business to take timely and effective action.

The *HRpulse* findings suggest in part that HR departments could and should play a stronger proactive role in the collection and analysis of data, and in undertaking systematic and timely interventions based on the data.

### RESPONDENT COMMENTS

*"AHRI should assist us to get insights into how other organisations are coming up with effective policies on big issues like this - I'm a big fan of case studies and seminars where experiences are shared"*

*"Would be great to listen to retention examples of best practice organisations, like the recent Kevin Panozza seminars"*

*"AHRI should provide measurement tools and training"*

*"Provide practical suggestions and case studies, especially on talent and career management, avoiding consultant-speak hype"*

## MAIN POINTS

The *HRpulse* respondents, much like those from other surveys that preceded this study, have observed that business could make a number of tactical moves in order to improve retention across the board. A check list of possible tactics from this study follows:

1. Putting the effort into recruiting people who are likely to be a suitable fit for the skill sets involved in the role as well as the organisational culture, is an essential starting point.
2. Systematically inducting new recruits into the organisation is critical. Induction should include expectations with respect to product knowledge, customer relations, internal reporting requirements and staff behaviour.
3. The organisation needs to communicate clear lines of responsibility and accountability, provide training to support them and establish career development plans that are supported by a sound performance management system.
4. The organisation needs to provide mechanisms that regularly monitor staff engagement and job satisfaction, making adjustments where required.
5. Employees' pay needs to be reviewed at specified intervals and adjustments made in accordance with the contribution a staff member is making to the business.
6. Incentives and reward programs should be adopted that go beyond financial rewards.
7. Strong leadership and management capability should be developed throughout the organisation.
8. Workforce planning needs to allow for job diversity, rotation (where possible), and the possibility for new challenges.
9. Where promotional opportunities exist, they should be readily made apparent to staff.
10. Ways to resolve issues between employees and their supervisors need to be open and accessible.
11. The organisation needs to take steps to ensure staff have an opportunity to mix an adequate family and social life with their work demands.
12. Organisations need to be careful to avoid making grandiose promises that have little chance of being kept and are not kept.
13. The organisation, especially through the CEO, needs to communicate to staff what the purpose of the organisation is and whether it's achieving its vision and mission.
14. Where the organisation is making, or can make, a contribution to the larger society in which it operates, that should be communicated internally.
15. Working conditions need to be periodically reviewed and improvements made where required.
16. When staff leave the organisation, the reasons for departure should be methodically sought and a system for collecting, analysing and acting on the feedback needs to be established.

*HRpulse is designed to enable AHRI members to express their views on topical issues affecting the profession. Feedback is welcome. Please write to [research@ahri.com.au](mailto:research@ahri.com.au). For more information visit [www.ahri.com.au/HRpulse](http://www.ahri.com.au/HRpulse) or call 03 9918 9200.*

Australian Human Resources Institute Limited  
ABN 44 120 687 149  
T (+613) 9918 9200  
F (+613) 9918 9201  
Level 10, 601 Bourke Street  
Melbourne Victoria 3000  
[www.ahri.com.au](http://www.ahri.com.au)  
[research@ahri.com.au](mailto:research@ahri.com.au)

