

HR QUARTERLY INDEX

HR Coach Research Institute

April Report 2009

Featuring:

- Executive Commentary
- National STAR Report© Extract
- Sensis® Business Index Comparative Data

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Report

The *HR Quarterly Index*, produced by the HR Coach Research Institute, is a national based research initiative reporting on the changing landscape of workforce and strategy and its impact on sustainability for the business sector. The HR Quarterly Index provides a snap shot of the research results in two key areas:

1. Internal Business Pressure on Strategy
2. External Market Analysis

The Index evaluates measurements of business and employee confidence, identifying the perceived impact on business performance.

The HR Quarterly Index provides businesses, HR Professionals, business advisors, industry bodies and government with insights into broad industry issues and the effects on the business sectors' ability to contribute to the Australian economy.

Methodology of Research

The *HR Quarterly Index* collates data specific to the SME sector through two sources of data.

1. Participant data of the Australian Employer of Choice Program, STAR Workplace, is used for the internal environmental analysis of both employer and employee confidence. Individual information is confidential and collated results are represented in the *National STAR Report*.
2. External scanning for environmental analysis

Research data is presented in three sections:

1. Executive Commentary
2. National STAR Report© Extract April 2009
3. Sensis® Business Index Comparative Data

Commentary

Each section provides information on the key data and commentary obtained from the independent review committee consisting of:

Dr. Polly Parker	Director of MBA Studies at the UQ Business School
Professor Marie Wilson	Head of Management and International Business - University of Auckland
Martie-Louise Verreyne	Lecturer in Entrepreneurship at the University of Queensland
Sandy Deans	Human Resources Strategist and Industry Representative
Louise Broekman	Human Resources Strategist and Founder of the HR Coach Research Institute

1. Executive Commentary

Communication Under the Microscope

The April 2009 edition of the *HR Quarterly Index* continues to provide insight into the ever increasing pressures within Australian workplaces.

Louise Broekman, Founder of the HR Coach Research Institute, highlighted the key finding of the Index. "National Employer Confidence is currently 64%, a 1% drop since the last quarter. This is a shift that was expected given the current pressures in the external environment." Below is a summary of the external conditions.

	%	People
Current Unemployment	5.70%	570,000
Forecast 2009	6.80%	680,000
Forecast 2010	7.80%	780,000

Source IMF World Economic Outlook 2009

Other Employment Facts

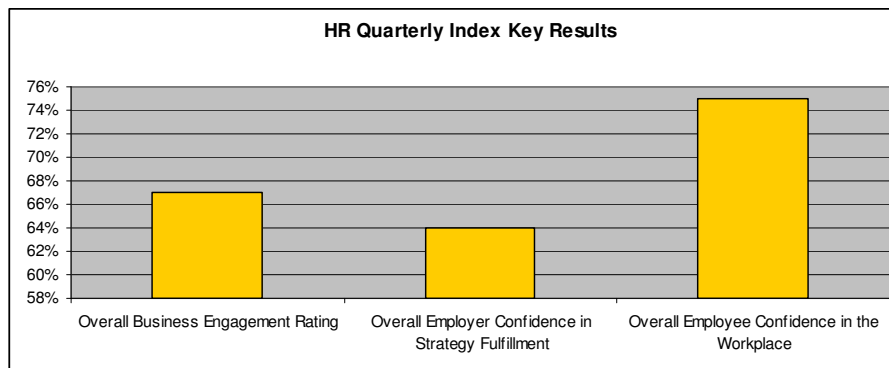
Source: Australian Financial Review 18/04/09

Number of Males leaving full time employment in the last 6 months	94,000
Number of Males leaving full time employment and entered Part Time employment	45,000
Note: Female Employment - minimal change	
% increase of employees working between 30 - 34 hours per week	59%

"The shift in employer and employee satisfaction is worth noting. Where employers are growing increasingly concerned about business, employees are acting with greater respect and appreciation in regards to their jobs and their place in the workplace."

The individual pressure and fear for the future, however, is having an impact on the employment relationship. Where business owners are concerned about the future of the business, their lack of ability to communicate this effectively to employees is creating problems internally.

Consolidated Results	
Overall Business Engagement Rating	67%
Overall Employer Confidence in Strategy Fulfillment	64%
Overall Employee Confidence in the Workplace	75%



Meaningful Information Lacking

Employees are concerned by lack of information, and are looking for informal ways to find out what is important to them. This is creating a level of discomfort for employees and a problem for employers. Employers are distressed by employee behaviour currently.

Lack of business confidence by the employer, and lack of clear and concise communication to employees creates a flow on effect. Employees are now demonstrating a lack of confidence in employers and are starting to think about the personal implications as the changes in the market continue.

Employees are now sending the message to their employers; Where we were concerned about the business in the past quarter, we are now concerned about our own personal future.

“The issue is not simple and no one person is an expert in the current market.” said Broekman, “what we are seeing through this data is that the business sector is at threat generally. Some businesses though are under unnecessary pressure internally by not being clear in their communication”.

Performance Management

The rising concern of employers in regards to financial results and employee performance is set to add to this pressure in the coming months.

During the good times, poor performance may be ignored and with the immediate past history of a tight labour market, this was a reality of most workplaces where supply of alternative employees was short.

With lower sales performance and tight cashflow, the performance of employees will also be under the microscope. Employee performance issues will be hurting employers and will no longer be sustainable in some circumstances. What was once accepted will now be addressed and it will lead to new conflicts and potentially escalate to the court room.

Performance management is complex in the best of times. Compounding the current challenges of employee management are the changes in legislation coming into being from the 1st of July in Australia. The nature and importance of performance management in 2009 is set to change.

Risk Management

In light of this quarter's results, risk management strategies are going to be crucial for businesses moving forward. The risk strategies that require evaluation include:

- Performance management
- Fall out of redundancies with remaining employees
- Market confidence following internal business changes
- Employee confidence
- Cost and cashflow management

2. National STAR Report© Extract

March 2009

Strategic Action Model™

The STAR Workplace Framework is based upon the Australian Quality Framework and Business Performance. The HR Coach Strategic Action Model and measurement system is the underlying method of data analysis.

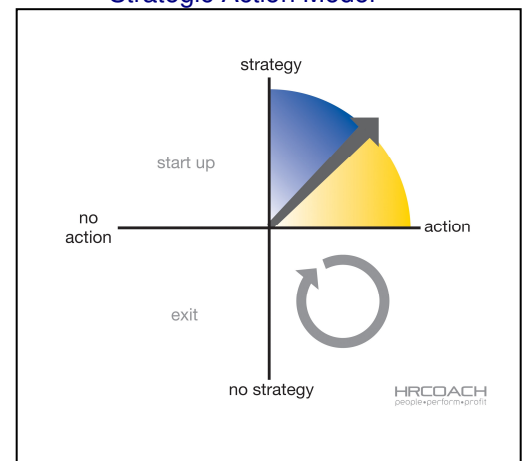
STAR Rating Productivity Factor Key

75%+ Probability of reaching productivity targets is Positive. Poised for achieving intent and growth. Factors indicate engagement.

50% - 74% Productivity Risk in relation to management of employee and employer expectations. Factors indicate frustration internally.

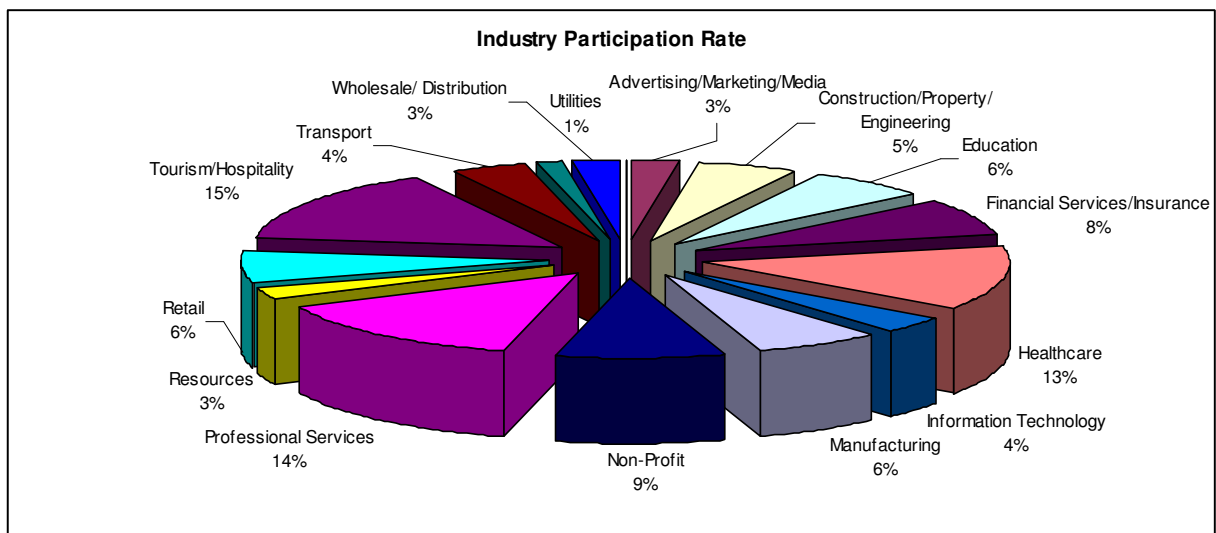
- 50% High Risk Factor in impacting negatively on achieving strategic intent. Factors indicate dissatisfaction.

Strategic Action Model™



Industry Participation

Participation by Industry was most represented by the Tourism / Hospitality sector (15%), Professional Services sector (14%) and Healthcare (13%)



National Summary

Key Findings

Employee confidence (75%) is greater in the internal business environment than employer confidence (64%).

Overall business engagement has reduced by 1% in the past quarter.

Employee confidence and satisfaction with the workplace has increased by 2% overall.

The variance between employer and employee confidence is 11%. This represents an increase of 2% between employers and employees within the last quarter.

Data Set

The overall combined Business Engagement result, rating employers and employees, is 68%.

The key contributors to employee confidence continues to include being trusted, flexibility in work arrangements and honesty and integrity of the team.

The primary concern for employers has shifted from having to follow up to make sure tasks are completed to dealing with informal communication and victim mentality behaviours.

Notes on Data

The key reasons for lack of employee confidence has shifted from knowing how the business is performing and future direction as the highest concern, to opportunities for advancement and remuneration and pay.

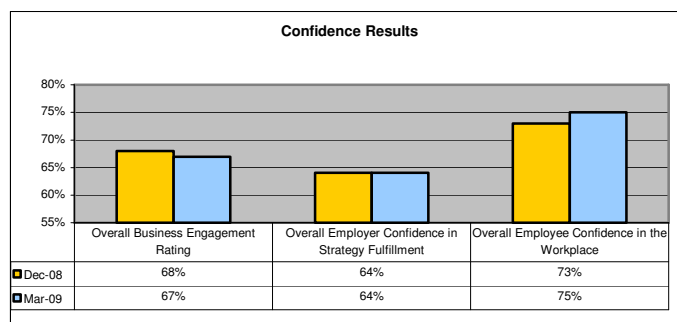
Despite this shift, employees are looking for signs of business health and sustainability. Business performance is now being viewed in the context of their future within the business.

This data may be indicating that employees are moving into survivor mode. With concerns about their own future due to lack of information coming from employers, transparency and communication have become priorities.

Employer Results

Participating Organisations	78
No Employees	917

Consolidated Results	Dec-08	Mar-09
Overall Business Engagement Rating	68%	67%
Overall Employer Confidence in Strategy Fulfillment	64%	64%
Overall Employee Confidence in the Workplace	73%	75%



Employer Confidence

Key Findings

Employer confidence in the organisation's ability to achieve its strategy is at 64%.

Of particular interest is the information included in the data set.

Data Set

Employers are more satisfied with the skills and knowledge of employees (75%) and ability to satisfy customer service requirements (74%) than the financial results of performance (56%) and the processes of making strategy happen (63%).

This is a shift from the previous quarter and should be monitored closely.

Employer dissatisfaction is reflected in the top 10 indicators (see table). Informal communication and linking strategy to the action of individuals are key issues for employers

Process improvement priorities for employers include functional HR processes such as Orientation Programs and Workplace Policies. These are followed by strategic business improvement and planning.

Independent Review Panel Commentary

Louise Broekman highlights the shift in the last quarter of the key disatisfiers of employers in dealing with communication issues with employees.

"This is a critical time for employers to be open and honest in their communication with employees. Without it, the employees will be searching for information in informal ways. This will add to chaos, confusion and lack of confidence. A potential outcome of this will be the turnover of key employees which will place employers at a disadvantage potentially resulting in loss in productivity and profit.

Employer Summary	Mar-09
Overall Business Engagement Rating	67%
Overall Employer Confidence in Strategy Fulfillment	64%

Employer Most Dissatisfied with Top 10 as at March 2009
1. Informal Communication and victim mentality
2. Linking Strategy to the Actions of Individuals
3. Following up to make sure tasks are completed
4. Individual Accountability
5. Gaps in knowledge, skills and capability
6. Consistency in procedures and quality
7. Rewards systems for employees
8. Workplace efficiency
9. Finding quality applicants
10. Employee productivity

Employer Process Improvement Request TOP 10
1. Orientation Program
2. Workplace Policies
3. Formalised induction process for first week
4. Interview Guides for all roles
5. License and Dates Tracking
6. Legislation Policies
7. Continuous Improvement Program
8. Involvement of employees in plan setting
9. Regular Staff Feedback Meetings
10. Strategic Business Plan

Results of Performance	Dec-08	Mar-09
Accountability to Financial Results	58%	56%
Compliance with Policies and Procedures	62%	63%
Technical Ability of Employees	74%	71%
Skills and Knowledge of Employees	77%	75%
Ability to provide Customer Service	78%	74%

Employee Confidence

Key Findings

Employee Confidence (75%) is 11% higher than employer confidence (64%)

The findings demonstrate that employees are more satisfied generally than employers and the gap is widening.

Data Set

Employees are most dissatisfied with the communication provided by employers both formally and informally on knowing how the business is performing, future direction and the direct impact on their future. This is reflected in the top 2 issues for employees – opportunities for advancement and remuneration and pay.

The third issue is consistent in the last two quarters. It is efficient planning and decision making within the workplace.

Notes on Data

This result identifies a shift in the past quarter of employees being concerned for their workplace to being concerned about their individual future and “what it means for me”.

This is an interesting result which reflects a lowering of employee confidence in relation to their future. The overall strength of the rating for employees may reflect a sense of job security in the current market, rather than the job itself.

This must be monitored as it may have a direct impact on productivity and performance of employees who stay within a role but do not perform at their optimal level.

Employer Summary	Dec-08	Mar-09
Overall Business Engagement Rating	68%	67%
Overall Employee Confidence in the Workplace	73%	75%

Employee Most Dissatisfied Top 10 as at March 09
1. Opportunities for advancement
2. Remuneration/Pay and bonuses
3. Efficient planning and decision making process
4. Formal communication process
5. Training and development for my job
6. Professional development in my job
7. Recognition and praise
8. Knowing how the business is performing and future direction
9. Recognition of my contribution
10. Good Quality Communicators

Internal Priorities

Key Findings

Employers are most confident about their structures of recruitment and employment frameworks, particularly focused on the first year of the employment relationship.

Employers are least confident about their ability to communicate effectively and manage informal communication.

Employees are most confident about the level of trust in the workplace and flexibility in their work arrangements.

Employees are least confident about their personal future and the businesses ability to plan for the future.

Data Set

Both employers and employees are dissatisfied with communication and management controls within the business.

Employers are also dissatisfied with the performance and outcomes.

As per last quarter, employers are generally satisfied with the framework of employment in relation to rates of pay, however the employees are not.

Key Results Index Mar-09

Employer Confidence - Top 5 1. Ability to "sell" during the recruitment phase 2. Keeping staff in the first year 3. Framework for correct rates of pay to reward and keep staff 4. Compliance with legislation 5. Staff pay rates and remuneration	Employer Lack of Confidence - Top 5 1. Informal Communication and victim mentality 2. Linking Strategy to the Actions of Individuals 3. Following up to make sure tasks are completed 4. Individual Accountability 5. Gaps in knowledge, skills and capability
Employee Confidence - Top 5 1. I am trusted 2. Flexibility in work arrangements 3. Honesty & Integrity 4. Ability to satisfy customer needs 5. Comfortable, safe, clean work environment	Employee Lack of Confidence - Top 5 1. Opportunities for advancement 2. Remuneration/Pay and bonuses 3. Efficient planning and decision making process 4. Formal communication process 5. Training and development for my job

Notes on Data

It must be noted the negative effect ineffective communication has on the employment relationship. The current results identify a potential increase in the pressures within the employment relationship.

Independent Review Panel Commentary

According to Louise Broekman, "this is the key result from this quarters report. We are starting to see the effects of the ability to manage in uncertain times. Direct, open communication is needed to maintain internal confidence of both the employer and the employee."

Subset Results

Key Findings

The Professional Services sector (75%) is the most engaged in workplaces and the Transport sector (54%) is the least engaged.

Employee engagement did not vary greatly between age demographic, gender and employment status or during the past two quarters

Data Set

Professional Services is the most satisfied industry sector (75%), followed by Resources and Non Profit Sectors (72%).

The least satisfied sector is Transport (54%) followed by Wholesale/Distribution (61%) and Manufacturing (63%).

Businesses within 4000 postcodes are most engaged (67.5%). Businesses within the 6000 postcodes are least engaged (58%).

Managers and Baby Boomers are the most confident in the employee subsets.

Notes on Data

This result may vary over time as the data set continues to grow with the study.

The blue collar sector is under greater pressure than other sectors at this time. Of interest is the high level of result maintained by the Not for Profit sector, given its greater complexity in compliance and management of volunteers.

Internal Engagement By Industry	Mar-09
Transport	54%
Wholesale/Distribution	61%
Manufacturing	63%
Healthcare	64%
Retail	64%
Construction/Property/Engineering	65%
Education	66%
Tourism/Hospitality	67%
Information Technology	68%
Financial Services/Insurance	69%
Not for Profit	72%
Resources	72%
Professional Services	75%

Internal Engagement By Postcode	Mar-09
2000	65.50%
3000	61.20%
4000	67.50%
6000	58%

Employee Confidence Subset Groups

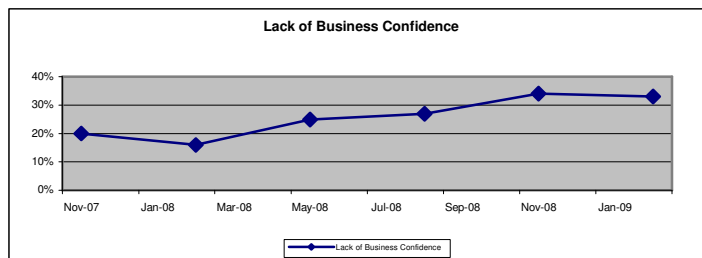
Position	Dec-08	Mar-09
Managers	73%	73%
Staff	70%	70%
Generation		
1929 - 1946	74%	72%
1946 - 1964	70%	70%
1965 - 1977	71%	70%
1978 - 1988	71%	71%
Gender		
Female	71%	71%
Male	70%	70%

3. Sensis® Business Index Comparative Data

Key Findings

Sensis Consumer Report author Christina Singh identified the following indicators in the latest Sensis Report on Business Confidence

- Business confidence continued to fall and is the lowest in 15 years.
- The fall this quarter was not as large as the previous quarter and stabilised.
- New South Wales recorded the first ever negative level of confidence in 15 years.
- All performance indicators fell with the exception of capital expenditure in the short term.
- All performance indicators fell, with Lack of Work and Sales being the primary concern.
- 31% of businesses reported facing no problems in their business, an increase of 1%.
- Top three issues for business remain the same as last two quarters. 1. Sales; 2. Economic Climate; 3. Cashflow
- Medium businesses again are more confident than small businesses although only marginally
- Regional businesses are more confident and reported higher performance in profit, employment and capital expenditure than Metropolitan businesses
- Whilst concern for sales growth was an issue, only three in ten businesses reported having a dedicated sales force



Sample Productivity Risk Factors	Nov-07	Feb-08	May-08	Aug-08	Nov-08	Feb-09	Qtr Var
Lack of Business Confidence	20%	16%	25%	27%	34%	33%	7%
Ability to Find and Keep Staff	15%	15%	14%	10%	9%	6%	-1%
Expect Increase in Wages Bill	38%	41%	35%	29%	13%	7%	-16%
Expect Increase in Size of Workforce	19%	21%	18%	10%	4%	1%	-6%
Expect Increase in Value of Sales	50%	53%	38%	22%	4%	-11%	-18%
Expect Increase in Profitability	44%	46%	27%	14%	-2%	-12%	-16%
Expect Increase in Capital Expenditure	12%	16%	4%	1%	-10%	-11%	-11%

Notes on Data

With confidence dropping, there is a slow down of the slide. Drilling into the data, the internal focus predominately is on cost reduction, with 9% decreasing employment and 2% reducing hours.

Independent Review Panel Commentary

According to Louise Broekman, what the employer chooses to focus on currently is critical. It is a good sign to see the intent of capital expenditure rising. Looking beyond today and looking for innovation in both sales and internal strategies will be a key to confidence.

More Information

About the STAR Workplace Program

Using extensive research conducted by the HR Coach Research Institute, the STAR Workplace Program is a survey of both employees and employers to understand the internal environment of their business. The program provides objective data allowing organisations to gain a perspective from both sides of the employment relationships by measuring the link between Strategy requirements and what people do everyday.

This relationship is what HR Coach calls Strategic Action and is a key component of an organisations success.

The data collated through the STAR Workplace Program is reviewed by an Independent Review Panel. National Trends and emerging issues are explored and analysed. This information is provided back to participating organisations, industry groups & government bodies.

Ongoing participation in the research from a wide range of businesses across Australia is encouraged to continue to measure, analyse and understand the direct internal pressures experienced by Australian Businesses.

For further information on how to participate, please contact the HR Coach Research Institute or a Member of the HR Coach Network.

Authors

Louise Broekman

Louise is the Founder and Managing Director of the HR Coach Group. An innovator and HR and Business Strategist, Louise consults, speaks and writes extensively on a wide range of topics, both in Australia and Internationally.

Udo Doring

Udo Doring is the National Business Manager responsible for the growth and sustainability of the HR Coach Group. He writes extensively about the health and future trends of the Australian Business sector.

Disclaimer

HR Coach Pty Ltd ("HR Coach") has collated the information contained in the *HR Quarterly Index*, using data collected from public records, interviews conducted by members of the HR Coach Network and focus groups, in which to the best knowledge of HR Coach, was current and accurate as at the date of this report. Any harm or loss arising from use or otherwise of the information provided is disclaimed of responsibility by HR Coach. All warranties, express or implied, statutory or otherwise are excluded to the extent under the Trade Practices Act 1974 which is permissible and any other relevant legislation.

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