

**Attracting and Retaining Talent:
Exploring Human Resources Development Trends in Australia**

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ABSTRACT

Australia has recorded unparalleled economic expansion for more than a decade. One consequence of this is an increasing skilled labour shortage, which has the potential to inhibit further growth. This situation also appears to be emerging in many other advanced western economies. This places increasing importance on the role of human resource (HR) professionals in developing policies, practices and systems to attract, retain and develop employees as part of a strategy of sustained competitive advantage. In this paper, we first examine the literature associated with the attraction, retention and development of human resources. In the second section we explore the major contextual issues and debates underpinning the skill and labour shortages. In our third section, we explore HR areas identified by an Australia-wide survey of HR professionals, in relation to the attraction and retention of employees.

Our findings suggest that employers are addressing issues related to recruitment and selection - attraction. However, in critical HR development areas associated with retention such as training and development, job design, skill development, careers management and team building, results indicate a lower level of resource allocation. We conclude that this is of significant concern in an era of skill shortages, as Australian organisations will find it increasingly difficult to compete.

KEYWORDS

Skills shortage; Employee attraction and retention; Human capital; Resource based view of the firm

INTRODUCTION

In the first decade of the 21st century there is a growing recognition of the changing nature of the employment relationship (Fullerton and Toosi 2001; Critchley 2004; Cappelli 2005). The production base of advanced western economies has evolved from a manufacturing to a knowledge and service focus, which has contributed to a shift in the nature of work with the individual employee increasingly the source of competitiveness in the new environment (Barney 1991; Boxall and Purcell 2003). As a result of this focus on the employee, the HR function in many organisations has the opportunity to assume a central and dynamic role for developing sustainable competitive advantage through people. In progressively tighter labour market this will be achieved by focusing on the development of diverse policies to attract, retain and develop these critical resources (Holland, Hecker and Steen 2002; Critchley 2004; Cappelli, 2005).

This role of HR is arguably of particular importance at a time of major change in the nature of the labour market. Increasing skill shortages in many advanced western economies, combined with a new generation of workers who are focused on employability rather than employment (Losey 2005), have been the catalyst for a shift away from the traditional employer-employee relationship (Rousseau 1995), and created major shifts in the balance of (employment) power (Salt 2004; Tsui and Wu 2005). In addition, the declining birth rate in most OECD countries over the last two decades has the potential to exacerbate these issues (OECD 2004). Although as Cappelli (2005) and Critchley (2004), argue this may be more to do with employment

and retirement trends and strategies than demographic issues associated with growing labour and/or skill shortages. Despite the differing perspective, it is clear that in this emerging world of work, if organisations are to remain competitive, the development of human resource management and development strategies will become increasingly more important (Critchley 2004). This paper explores the related human resource development (HRD) issues associated with building and retaining human resources to build sustained competitive advantage.

ATTRACTION AND RETENTION – A THEORETICAL PERSPECTIVE

In recent years, attraction and retention of employees has become an increasingly significant aspect of contemporary HRM and HRD. A review of the literature reveals that two theoretical perspectives provide a framework to analyse the strategic approach linked to the long-term development of the organisation's human resources. The first is human capital theory, which links investment in the organisation's key asset, employees, to increased productivity and sustained competitive advantage (Becker 1964; Smith 1998). The strategic aspect is the long-term enhancement of the firm's resource base by linking employee skill development with retention through training and development, career management and progression (Garavan, Morley, Gunnigle and Collins, 2001). This is also consistent with the second theoretical perspective, the resource based view of the firm (RBV) (Penrose. 1959; Barney 1991), where the focus is on an organisation retaining and developing these human resources so they become valuable, rare and difficult to imitate, further enhancing the organisations competitive advantage (Barney 1991; Walton, 1999; Garavan *et al.* 2001). Building on these two perspectives, many scholars have adopted these theoretical approaches in interpreting the essential elements in building organisational competitive advantage (Wright, Dunford, and Snell, 2001; Garavan *et al.* 2001; Boxall and Purcell 2003;).

This focus on the management and development of human resources can be linked to the deliberate strategy and catalyst for attraction and retention of key human resources. This has led to increased focus on HRD as a platform for building a competitive advantage. Organisations taking the strategic course will seek a long-term and diverse approach to managing and investing in their human resources, to ensure that appropriate training and development is available to all 'core' employees. The management of learning and knowledge within organisations in a more complex and competitive environment reflects a significant strategic role for HRD in the creation of competitive advantage; a theme which is increasingly reflected in the literature (Walton, 1999; Garavan *et al.* 2001). As such, the field of HRD is identified as a critical aspect of strategic human resource management (Stewart and McGoldrich, 1996; Prince and Stewart 2002). In a dynamic environment, this means that the organisations must commit resources to strategically develop a diverse and adaptive approach, to ensure that each area within the organisation has access to appropriate levels of training and development to meet diverse organisational objectives.

THE AUSTRALIAN HEGEMONY

In the context of this new economic environment, organisations will have to adapt to this new paradigm in a variety of ways. The 'new' psychological contract under which many workers operate, will redefine employee benefits. In contrast to the traditional

'relational' contract associated with a conventional (long-term) employment relationship based upon standard terms and conditions of employment, work will be organised to align with the demands of these workers. Management must therefore pay careful attention to both structural and cultural conditions that exist within the firm (Sims 1994; Thomas, Au and Ravlin 2003;), including more diverse and proactive strategies as key retention tools (Newell et al, 2002). What will be needed is a new approach to the management of human resources and more particular HRD strategies linked to employee development and employability.

However, this shift needs to be seen in the context of the traditional Australian approach to training and development. The emergence of protectionist industry policies in the early 20th century reinforced highly rigid and hierarchical work patterns supported by strong trade unions. This resulted in training and development in Australia remaining largely fragmented and narrowly focused around occupational skills and managerial control (McKeown and Teicher 2006:26). Supporting this approach was the reliance on waves of migration to alleviate the cycles of skill shortages and inter-firm mobility (poaching), which reinforced the insular, complacent and inwardly focused approach of both industry and successive federal governments in the development of the Australian workforce (Lansbury and McDonald 1999). Training therefore became ad-hoc and crisis driven but remained centred around the traditional apprentice system (McKeown and Teicher 2006). As such it was not until the dismantling of the trade and protection barriers in the 1970s that issues associated with HRD as a source of competitive advantage became a major issue for industry and governments alike. Paradoxically this new awareness of the importance of human capital development came at a time of major labour market deregulation. As McKeown and Teicher (2006:28), note this quickly exacerbated tensions between employer's ability (or even the desire), to invest in employee development and the need to control costs, despite the consensus between business, trade unions and government highlighted in a seminal tripartite report – Australia Reconstructed (1987) - that HRD was a major factor in developing and sustaining Australia's economy.

Federal government initiatives through the late 1980s and early 1990s, such as award restructuring, where skill and remuneration were linked only provided limited success and major programs such as the Training Guarantee Act (TGA) which developed as a catalyst for cultural change ¹ (Smith and Freeland 2002), was seen more as a tax than and a training incentive and the program was suspended in 1994 and abolished in 1996 with the incoming Howard Federal coalition (Smith 2003). At a management level it was recognised that there were significant deficiencies which were identified by the Industry Taskforce on Leadership and Management Skills or better known by the Chairman's name – the Karpin Report (1995). Important findings from the Karpin report included a lower level of education and skill of Australian managers in comparison to management in major trading partners. Other issues such as limited leadership skills and educational support were linked to the need for significant focus on the development of management education (Smith, 1998). However, the release of

¹ The TGA required organisation with payrolls in excess of \$(Aus) 200 000 to direct up to 1.5 per cent of payroll to training or by levied an equivalent amount (Smith and Freeland 2002).

the report with in a year of a change in federal government resulted in many of the recommendations largely being disregarded.

Since the election of the Howard government in 1996 it has been argued that the increased pace of deregulation has resulted in limited progress on a HRD agenda (McKeown and Teicher 2006). Although Smith (2003) does note much training goes unnoticed and unmeasured, the issue remains that this continued institutional restructuring of the labour markets has made investment policies in HRD increasingly discretionary. The focus of this paper, therefore, is to review the emphasis being placed on HRD in Australian organisations. The research question posed for this analysis is:

RQ Are Australian organisations prioritising human resource policies and practices to attract, develop and retain human resource talent?

METHOD

Questionnaire and procedure

This study draws from a survey of the Australian Human Resource Institute (AHRI) membership in 2005. AHRI members were contacted via email and invited to visit a web-site if they wished to complete the survey. Utilising a web-based survey, meant that respondents were not requested to identify themselves and they were also assured that their responses would only form part of a cumulative data set. A total of 1,372 members completed the web based survey and submitted a completed document. The response rate of members who attempted to complete the survey therefore was 22.5 per cent and the rate for members who submitted completed surveys was 11 per cent. There were a number of reasons why members may not have completed the survey. First, the opening statement explained that only members who were currently responsible for HRM/Personnel or Employee Relations matters (working either 'in house' or as a consultant) were required to proceed with completing the survey. This meant that line-managers, academics or other functional managers who may be AHRI members would have selected out at this point. Second, the survey did not allow for non-response to specific items so some members may have exited the system prior to completing the survey because they did not wish to complete some of the items. It is worth noting that studies on electronic-based surveys generally yield lower response rates than mail out surveys (Simsek & Veiga, 2000).

Sample characteristics

Despite the diminished response rate, the 1,372 members who did respond provide a substantial sample size for statistical analysis. The sample characteristics also represent a fair cross-section of groups within the profession. There was a good spread across age with 28 per cent of respondents falling into the 30-39 age range and 34 per cent within the 40-47 age range. Thirty-five per cent of respondents were male and 65 per cent were female. There was also a good spread of respondents across the various industry groups as identified by the Australian Bureau of Statistics (ABS) – Labour Force Australia. Key groups identified in the national data, such as manufacturing, health and community services and education, were almost equally well represented in the sample for this study. Although the study sample has fewer respondents from retail and property services, these groups were still represented in the current sample. Overall the range of respondents represents a reasonable cross section of HR professionals with respect to age, gender and industry background.

RESULTS AND DISCUSSION

Preliminary Analysis

An overview analysis of the research finds some potential contradictions in the focus of organisations. In describing the primary emphasis of their role as HR managers (see Table 1), respondents identified strategic HRM followed by training and development. This potentially reflects a focus on the need to attract and, more importantly, retain talent. However, identification of the major emerging issues in HRM in the previous five years and the next five years (See Tables 2 and Table 3), indicates that becoming an 'employer of choice' was a mid-table issue in both tables. Furthermore training and development and participation and teamwork issues were in the bottom section of the list in both tables. This ordering seems at odds with the priorities identified in Table 1.

This issue is further accentuated in Table 4, where training and development emerges as the most outsourced HR function over the previous two years at 48 per cent with recruitment and selection at 34 per cent. Considering these are key aspects of attraction and retention, this preliminary analysis suggests that Australian organisations are not responding to the changing labour market as might be expected.

INSERT TABLES 1 TO 4 ABOUT HERE

HRM Policy Development

The following part of the analysis clusters aspects of work policies, practices and systems into the two broad categories of attraction and retention – see Table 5. In terms of attraction, recruitment and selection were considered to be the major initial interface between the individual and the organisation. The importance of these areas is emphasised by Cappelli (2005) who argues this is a critical source of competitive advantage. Along with these primary areas, values and ethics also act as important sources of attraction as employees become increasingly discerning about who they work for. Macken (2005:27), for example, notes the sophisticated use of blogs and websites by potential employees to find out about the real organisational culture and values. She points to the fact that even organisations as large as Microsoft have expressed concern about internal bloggers and their effect on the future workforce and clients. As Macken notes, in Australia, every business student knows that Macquarie Bank is a prestigious employer, they also know about 'lifestyle cost' working in the "factory". As Sheahan (2005:98) observes on this issue:

..increased 'consciousness' and 'awareness'..have a serious effect on the way organisations are perceived in the talent marketplace. If you have questionable business practices, do serious damage to the environment, and create negative social consequences through the operation of your business, you will be blackmarked by talented people. They will not only boycott the products of such companies they won't want to work for them either.

INSERT TABLE 5 ABOUT HERE

Research by Australian recruitment agency Talent2 reinforces this point with a survey of 527 people on web related employment revealing that 73 per cent of job hunters always "google" the boss and the company with 72 per cent reporting that the information does have a bearing on the interview and whether they take the job.

Whilst 86 per cent of respondents indicated that this investigation allowed them to ask more job related question before accepting the position (Talent2, 2005)

The results from our survey indicated the highest response for new policies, programs and/or systems in the last 5 years was in attracting the interest of potential employee - recruitment (76 per cent). In fact some of these features have been noted in the business press, for example:

The advertisement shows a young man with long hair, hippie beads and casual pants at the edge of a beach. He looks ecstatic as he embraces the sea breeze under the heading "Are you looking for a lifestyle Change?" Coke's new campaign? A shot from *Survivor*? Or is Hugh Jackman enjoying a break back in Australia? Try a recruitment ad for a bank. Evidently being sales development manager for a northern Australian bank is as good as a sea change. Forget work stations, pinstriped suits and teller boxes. This bank wants you to think a day at the office feels like a day at the beach. Is this what it takes to attract good staff today? (Macken 2004: 17)

On the issue of selection, 67 per cent of the survey respondents identified this as a significant area for new developments. This could be seen as an increasing focus on person – organisation fit. As Dale (2005:18) notes:

The smart organisations are defining what type of person will fit with the organisation's culture. A lot of that is value-driven - not just what they are capable of doing, but what satisfies them. If someone is unmotivated, their skill set will walk out the door.

In the area of values and ethics, new polices were substantially lower than that of recruitment (76 per cent) and selection (67 per cent) at 48 per cent. Whilst this demonstrates a significant amount of organisations addressing this area, as indicated above, it may be an area that needs to be more closely considered in terms of organisational image linked with potential employees' decisions on whether to join the organisation. As noted the 'new' employee is far more discerning in whom they work for and this will become increasingly important in an employee orientated market.

The next set of policies and practices were considered to be mainly associated with retention and HRD. Job design, job analysis and team-building, for example, contribute to the day to day experience on the job; determining what people actually do at work and how effectively they do it, and where it can lead. Results indicate quite low attention to these areas with policy development levels reported in job design at 30 per cent; job analysis at 33 per cent and team-building at 40 per cent reflecting results from the preliminary analysis. The reasons for this may be varied including the traditional hegemony to invest in human capital or general resistance to change by employers. Boxall, Macky and Rasmussen (2003) have identified however, in a review of the labour turnover and retention in New Zealand, that one of the main reasons why respondents left their employer was to pursue more interesting work elsewhere. In an environment characterised by skill shortages and an ever more discerning workforce, it is imperative for employers to review how jobs are

constructed and connected and reflects a potential problem in employee development and retention.

Another key factor in the retention of skilled workers is the provision of training and development. Edgar and Geare's (2005: 372) study of aspects of HRM that are important to employees identified training and development to be of 'paramount' importance. Boxall *et al* (2003) also identified training opportunities as a determining issue in the decision made by employees to leave their employer. Results of the current study indicate however that although organisations were attending to training and development, in the current environment the levels of investment should be more significant. It was found that for general training, 54 per cent of respondents indicated major development. However only 42 per cent reported development as a priority area, 39 per cent reported career management as a key focus and only 37 per cent reported initiatives associated with skill development as important areas of policy development.

Low investment in these critical areas may again reflect the traditional approach of Australian industry to rely on immigration and poaching to solve skill shortages. In addition, organisational resistance to heavy investment in career development may reflect the changing psychological contract between employers and employees. Employees are choosing to manage their own career by moving between organisations. Employers may be therefore questioning the value in investing heavily in training and development opportunities for employees who may not stay. Nevertheless, research by Holland, Hecker and Steen (2002) and Edgar and Geare's (2005) points out, training and development are still considered to be critical issues in employee retention and as such should be recognised as important lures in the 'war for talent' as well as critical retention strategies from both a human capital and RBV perspective.

An area that employers are attending to is the area of performance appraisal. New HR policy and practice developments were reported for both managers and non-managers (75 per cent and 69 per cent respectively), which would suggest that organisations are increasingly seeing the importance of discussing and documenting employee progress and development at both a management and non-management level. The concern however is with the relationship to the relatively lower level of internal training and development which may indicate that this may be more to do with performance monitoring than performance development. Another activity connected with retention strategies was the issue of share ownership which is often offered to employees as an extrinsic retention rewards strategy. This was only seen by 13 per cent of the respondents as an area where major developments have occurred and may reflect the move to more direct intrinsic rewards by management and requirements of employees.

The areas of work/life balance, family friendly benefits and diversity may be linked initially to attraction, but also in the longer term to the retention of employees as well as the re-engagement of (potential) older workers. These initiatives boost organisational reputation and add to employer of choice standing and they also affect retention as these areas allow flexibility for employees to meet personal needs (Landsbury and Baird 2004; Liddicoat 2003; Russell and Bourke 1999). In Australia, Pocock (2005) makes the business case for a link between work life balance and

worker attraction and retention and the ultimate competitive survival of an organisation. The increase in the number of women in the workforce coupled with an ageing population base that requires carers, or is looking for employment engagement on their terms, elevates the need for companies to support valued employees who have family responsibilities and changing employment engagement requirements.

The focus on work-life balance has also been highlighted with regard to child care problems and the decision to return to work for some parents. This coupled with the lack of government mandatory paid maternity leave in Australia, may be a catalyst for employers stepping in to facilitate more flexible patterns of work. This is supported by research of employers, such as Toshiba, and others organisations, who have developed the Flexible Workplace Special Interest Group Research (2005). Indeed, evidence of change in traditional professions such as law (noted for long hours) highlight the potential sea-change. Henry Davis York, a Sydney based law firm, reports that the development of flexible work patterns stemming from their internal survey on work/life balance in 2001, has been an important factor in improving retention, with indicators including an increase in return from maternity leave, low turnover and employee feedback identifiable criteria (Brown 2005).

Results from the current study indicate that work-life balance initiatives are being developed in a little over half the organisations (55 per cent) surveyed and family friendly policies are evident in 49 per cent of responses. With respect to the area of diversity recognition, however, only 38 per cent of respondents reported HR initiatives in this area. The results indicate then that although there are reasonable levels of development of work-life policy initiatives, diversity management (particularly with regard to older workers) is still an area that could be further developed. Again writers such as Murray and Syed (2005) and Orland (2000) highlight the negative impact on organisational creativity and meeting the expectations of a diverse market when companies discourage workers who come from a range of backgrounds. This becomes especially evident when companies are operating in such a tight labour market.

CONCLUSION

There is a clear indication that the negotiating position of employees in the workplace is increasing for the first time in a generation and this is beginning to have an impact upon the employment relationship and subsequently upon employment policies and practices. Whilst it appears this is being recognised by Australian organisations at the interface with the market in the areas of recruitment and selection, in critical areas of HRD (such as job design, general training, skill development, careers and diversity management), the survey indicates a lower level of resource allocation. As noted, from a human capital and RBV perspective, these are the areas that organisations need to focus upon and skilled employees are prioritising in their evaluation of whether the organisation is offering employment or employability. Despite the rhetoric, the results of the current research indicate that organisations in Australia are still coming to terms with the importance of HRD as a source of competitive advantage. It will be of interest to see in the next decade if there is any significant change in focus in the development of the HRD policies, practices and resource allocation as labour markets in advanced market economies tighten and diversify and the multigenerational workforce become even more evident and discerning.

This Australian research illustrates that whilst there is a tacit understanding of the need to adopt new strategies in the global 'war for talent', active policy development in the area of retention and development do not reflect this. It appears the Australian hegemony of relying on immigration and poaching remains deeply ingrained.

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Table 1: Primary emphasis of the HR position

	n = 1372
A broad range of human resource issues	45
HRM strategic development	21
Training and development	11
Recruitment and selection	7
Employee relations	7
Remuneration / performance management	3
Occupational health and safety	2
Industrial relations	2
Human resource information systems	1
Wage / salary administration	1

Table 2: Emerging areas of importance in the HRM field in the last 5 years.

	n = 1372*
Connecting performance management systems to Organisational strategy	84
Strategic integration of HRM policies	83
Change management	80
Management of employee relations	75
Measuring the contribution of HRM to company performance	75
Managing flexible work patterns	65
Becoming an employer of choice	60
Devolution of HRM responsibilities to the line	57
Performance based remuneration	55
Worker participation and team work	51
Defining productivity outcomes of training and development	47
Quality issues	38

**Respondents could select more than one response*

Table 3: Emerging areas of importance in the HRM field in the next 5 years.

	n = 1372*
Connecting performance management systems to organisational strategy	89
Strategic integration of HRM policies	89
Measuring the contribution of HRM to company performance	86
Managing flexible work patterns	84
Change management	81
Becoming an employer of choice	76
Management of employee relations	72
Performance based remuneration	66
Defining productivity outcomes of training and development	65
Devolution of HRM responsibilities to the line	60
Worker participation and team work	59
Quality issues	49

**Respondents could select more than one response*

Table 4: Major HR programs or systems that have been initiated with the help of external consultants in the last 2 years

	n = 1372	%*
Training and development	48	
Recruitment and selection		34
HR information systems		29
Change management	22	
Employee relations	18	
Pay administration	15	

Table 5: Current HRM policy development areas

	n = 1372	%*
Recruitment		76
Performance appraisal (managers)		75
Performance appraisal (Non-managers)		69
Selection		67
OHS		57
Work/life balance		55
Training		54
Family friendly policies		49
Values/ethics		48
Grievance procedures		47
Training efforts devoted to skill enhancement		47
Workforce planning		44
Employee discipline		43
Equal Employment Opportunities		43
Development		42
Performance related pay (managers)		41
Termination management		41
Team building		40
Career management		39
Diversity (e.g. Age, ethnicity)		38
Skill development		37
Job analysis		33
Performance related pay (non-managers)		32
Job design		30
Job evaluation		29
Award / union coverage		26
Joint consultation/participation		24
Employee share ownership		13
Skill-based pay		10
Monitoring surveillance		9

**Respondents could select more than one response*