



# Guide to Retaining the Current Workforce

## *Discussion Paper*

*There is no 'quick fix' solution. Local Government organisations cannot just recruit more young qualified people as they are simply not available in sufficient numbers. The current resources boom is attracting skilled people into highly paid employment elsewhere. Employers, therefore, must look at several 'layers' of recruitment and retention, including young professionals, the existing workforce and those approaching, or at, retirement. This paper sets out to examine why the present situation exists and to propose ways to mitigate the impact of the engineering skills shortage.*

## **Executive Summary**

The current skills shortage issue within the public works engineering industry is widespread throughout the entire engineering profession in Australia, and affects all levels of the profession. The present resource industry, housing and consumer boom is likely to continue for the foreseeable future, ensuring that the current skills shortage will continue for some years to come.

The number of engineering graduates has fallen in recent years because of a fall in Government supported places for domestic engineering students at universities. The number of TAFE graduates has remained static. There are difficulties in employing migrant engineers to fill the skills gap, although there is a slight possibility that some international (on-shore and off-shore) Australian-trained graduates could be recruited.

Employers must become an "employer of choice" to attract young people. Employers must develop strategies to retain existing employees in the workforce, or to attract them back after a period of absence. Regional Australia has a particular set of difficulties, which must be addressed on a one-to-one basis.

Many Australians are working longer, and public works engineering employers must become aware of strategies to allow potential retirees a phased retirement. There are many possible avenues of part-time work available to retain the corporate knowledge and, in part, address the shortage of skills.

## **Introduction**

Every day the media carries at least one report or story on the subject of the skills shortage affecting almost every industry in our community. Some of the members of the Baby Boomer generation have already commenced retirement and, over the next ten or so years, the rate of retirement in that sector will increase. Australia faces an ageing population. The birth rate is declining and there are fewer young people entering the workforce. All these facts are well known.

IPWEA recognised that there was a growing skills shortage within the public works and local government areas and, in March 2005, the IPWEA National Board resolved to adopt a three level strategy and action plan aimed at attracting young people to a career in public works engineering.

One of the actions identified in the plan was to establish a national committee, to provide much needed input from industry practitioners, ensuring good representation from young people and rural and remote areas.

In May 2005, IPWEA convened a forum to review the Draft Plan. An amended plan was subsequently endorsed by the National Board and presented at a number of Forums.

In the months that followed, it became clear that addressing the shortage of young people was only part of the problem. It was recognised there is an urgent need to slow the rate of the increasing skills shortage not only by attracting young people but also by retaining the current workforce, particularly those approaching retirement. The loss of corporate knowledge within the workforce only compounds the problems created by the skills shortage.

The skills shortage is apparent at all levels of the technical workforce, senior engineer, engineer, technical officer and drafter alike.

## **What is a Skills Shortage?**

Over the past two decades, many local government organisations have downsized their engineering departments to such an extent that the position of the 'engineer' has much less status and profile in the



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community today than it did 20 years ago. As a consequence, the appeal of local government engineering as a career has lessened.

In a submission to the Senate Employment Workplace Relations & Education References Committee, in March 2003, *Engineers Australia*<sup>2</sup> defined 'skills shortage' as "*Skills shortages occur when there is a lack of adequately skilled individuals at current levels of pay, conditions of employment and geographic location. In other words, skills shortages exist when employers have difficulty filling, or are unable to fill, vacancies in recognised occupations and specialisations or common occupational groups*".

The paragraphs below will indicate that there is a decline in the number of graduate engineers entering the workforce, and there will be no improvement in the foreseeable future. It is necessary then to first review the problems surrounding engineering education. There are widespread reports, particularly from regional Australia, of the difficulty in attracting engineers and engineering technical personnel to fill positions in local government. We have a classic case of 'skills shortage' in our industry.

### Engineering Education

A significant amount of research has been conducted on the topic of educating and training tomorrow's engineers<sup>1</sup>.

There has been no increase in engineering training at the coalface - that is in domestic commencements at the undergraduate level - since the Coalition came to office in 1996. Since then there has been a squeeze on government-financed student places and a decline in student living allowances. Many students are extending their courses, which probably reflects the necessity for some to work part-time.

As far as engineering is concerned, there appears to have been a decline in commencements after a peak of 11,500 in 1997. In 2004, 10,727 domestic students commenced their university course. The Government may argue that in real terms, more places are now offered, but the growth is in overseas student onshore commencements. The number of domestic completions in engineering has fallen slightly to about 7,500 per year.

There is a common misapprehension about the number of engineering places offered at university. Many people seem unaware of the difference between domestic enrolments and overseas students (onshore and offshore). The previous Minister for Education, Science & Training, Brendan Nelson, has been quoted as saying that over the last nine years 135,000 additional places had been made available at universities. Much of this increase has been in the overseas student and postgraduate student areas, which does little to add to the size of the professional workforce in Australia.

The Government appears to believe that there is nothing to worry about in the above situation and are unaware, or will not admit, that Australia is one of the few Western countries where participation rates in higher education for domestic students have fallen in recent years.

### Expanding Domestic Economy

During the last few years a boom in the resource industry, housing market and consumer consumption has led to a dramatic expansion of the domestic economy. The demand for skilled labour (including engineers and engineering technicians) has increased in order to build the infrastructure needed to support such a boom. It comes as no surprise, therefore, that the shortage of engineers across most engineering disciplines has become apparent.

Engineering graduates who want work within the engineering industry have little trouble securing a worthwhile position, and at a starting salary often in the vicinity of \$60,000 or more. These high starting salaries are particularly apparent in States experiencing acute skills shortages due to the current resource boom. With the falling number of engineering commencements in recent years, and therefore the falling number of completions, the outlook is that the shortage of engineers will become more apparent over the next few years.

The skilled migration program has augmented the engineering workforce significantly, but not all migrant engineers have the training and experience relevant to Australian employer's needs immediately.



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For many migrants, language and communication difficulties are a barrier to obtaining immediate employment. The Department of Immigration & Indigenous Affairs does offer some incentives to Australian-trained overseas (onshore and offshore) graduates as these people are in a better position to offer skills that employers need.

However, Australia cannot rely on the skilled migration program as a long-term answer to the engineering skills shortage. The worldwide boom, particularly in China and India, will rapidly attract the available stock of international engineering graduates.

### Impact of the Resources Sector Boom

There have been frequent and widespread reports that there are critical skills shortages in local government organisations in regional Australia.

As the 'great Asian resource boom' continues, research by Hudson<sup>3</sup>, one of the world's leading recruitment, outsourcing and human resource consulting companies, shows that 61 per cent of employers in Australia's resource sector plan to boost staff in 2006.

Many of these workers work in remote locations in regional Australia that do not allow access to city/town facilities, infrastructure, services and activities. Frequently employers in those areas use the analogy that working and living on remote resource projects is akin to checking in at Club Med – excellent healthy food, golf courses, swimming pools, fully equipped gym, tennis and beach volleyball facilities, which forms part of the employee's package.

Local Government does not always have the completely isolated lifestyle described above, but many workers, who do not wish to work in metropolitan areas, are attracted to that way of life and the conditions of employment offered with a fly-in, fly-out regime. Such work demands long hours whilst on site, but in return offers excellent conditions and facilities, and guaranteed, uninterrupted time off at home.

In a time of a resource boom such as Australia is experiencing in 2005/6 (and projected to last at least another few years), all technical staff will be in short supply.

Local Government and Public Works organisations in regional areas will have to be 'creative' in the packages they offer to attract and retain technical personnel.

### What do we do about skills shortage ?

Public Works and Local Government employers must get smarter at being employers and become "employers of choice". They must not only attract new employees (both young and mid-career), but also retain existing employees.

Most individuals have a working life expectancy of over 40 years, and the objective for local government employers must be to provide meaningful, satisfying and productive work for the duration of that time.

In practice, many employees will change career paths. Some experienced employees will leave public works engineering, but could be attracted back at a later stage. Many employees facing retirement could, and should, be offered alternative types of employment within the public works area.

The Prime Minister has long said that he is committed to removing barriers to the participation of older workers in the workforce, and legislative changes (referred to below) allow this to happen. However, State Governments have various Industrial Relations laws that differ from State to State. There is tension between State legislation and Federal legislation, and these factors must be considered on an individual basis. Unfortunately, "one size does not fit all".

### Possible Strategies to Become an Employer of Choice

In an era when employees can pick and choose the type of work they do, and who they work for, it is important to remember that employers must become an "Employer of Choice" if they wish to attract the right people.

In the paragraphs that follow, a number of strategies to aid employment are listed, but in no particular order. Note that every local government organisation is different, and every situation will be different so, as previously stated, 'one size will not fit all'.



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The Eurobodalla Shire Council has an impressive track record of working towards being an employer of choice<sup>4</sup>. The Council was recognised for its work in training and succession planning by taking out the 2005 NSW Employer of the Year and the National Employer of the Year category in the Australian Training Awards.

The Council reviewed its entire engineering operation, identified areas of skills shortages and put in place an ambitious training program, particularly in partnership with the local TAFE College.

The result has been a better qualified staff and more people employed.

### Employee Priorities

To become an employer of choice requires, firstly, an understanding of what employees see as priorities. Some are listed below, but the list is not exhaustive:

- Concern about future retirement and savings plans
- Issues with care of elderly relatives
- Time to pursue personal interests
- Control over work environment, work schedules, performance review/rewards
- Balanced lifestyle – work/life priorities
- Corporate culture
- Potential salary – total benefit package – training/ advancement opportunities
- Competitive pay
- Mortgage problems, financial difficulties, HECS debt
- Expectation to hold down multiple jobs
- Need to be involved in organisation
- Flexitime
- Access to day care and help with children's education
- Health issues.

### Employer Issues

- One size no longer fits all
- Flexibility is the key
- Ask employees for suggestions
  - ◊ What keeps employees there

- ◊ Evaluate what the organisation offers as 'important', 'needs improvement', and 'not important'
- ◊ What issues, if addressed, would enhance retention
- ◊ Top three things about working for your organisation
- ◊ What could organisation do to improve the work-world for employees
- ◊ Summarise and feed back the results
- ◊ Identify and prioritise what it is possible to change
- ◊ Begin the process again

- Consistency in the quality of management decisions
- Enhancement of productivity and efficiency
- Ensure employees have skills and knowledge needed
- Maintain an ethical and distinctive work culture.

### Some Specific Techniques for Retention

- Focus on continued professional development, training and qualification
- Focus on pay and conditions – add benefits
- Flexible work times (possible 9 day fortnight)
- Sabbaticals
- Job sharing
- Rotational assignments
- Virtual office (i.e. work from home sometimes)
- Real acceptance of non-work priorities
- Create a pool of contingent workers (to reduce perception of multiple job syndrome) – see "older workers at retirement" in "Life Begins at Retirement"
- Financial support for education (CPD)
- Assistance with child/elderly relative needs
- "Raffle" two tickets to choice of show, or pay for dinner for two once a month
- Reward excellence with shopping voucher or family outing, etc
- Ask individual employee what can be done to make job more rewarding, etc
- Increase attention paid to new employees (maybe provide a mentor).



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### Some Issues for Consideration in Regional Areas

Some issues for consideration to remain competitive in regional areas (and, if considered appropriate, in metropolitan areas too) could be:

#### 1. Health

Over the last decade, there has been a growing emphasis on health and diet issues. The types of recreational facilities available at remote fly-in, fly-out locations were unheard of in mine sites 15 years ago. Now they are commonplace. Some considerations (at no cost to the employee) could be:

- Offer regular health checks
- Focus on men's health issues
- Offer free flu injections, (and free nicotine patches for those wishing to give up smoking)
- Canteen to offer healthy lunches (and other meals?) at a subsidised rate
- Provision of recreational lifestyle programs to improve personal fitness
- Well equipped gym facilities
- Implement strict safety campaign – not just lip service.

A creative health and diet campaign can provide employees with advice to become fitter, healthier and better able to cope with life's challenges. The workforce will be inspired, motivated and happy.

#### 2. Leave Issues

- Extended leave to care for family member
- Maternity and paternity leave
- Carer's leave
- Leave without pay
- Occasional paid travel to place of recruitment.

#### 3. Part-time Work

Some employees may wish to work part-time for a variety of reasons. Part-time work could be encouraged, or an employee may wish to 'job-share' with another worker. There are various reasons why employees may wish to alter their work patterns, and the following list is not exclusive :

- Reached financial security and no longer need to work full-time
- Care of aged or sick relative
- Care of young family
- Increased family time
- Study
- Travel
- Lifestyle option.

### Total Rewards

One way of examining the employer's ability to retain the employee is to look at the total package. Direct remuneration is just one component, and employees (particularly Generation X and Y employees) look increasingly for job satisfaction, work surroundings, etc, rather than just money.

Below are just some ideas for assessing total rewards.

<p><b>DIRECT COMPENSATION</b></p> <ul style="list-style-type: none"> <li>Base pay</li> <li>Bonus, incentive &amp; recognition pay</li> </ul>
<p><b>INDIRECT FINANCIAL BENEFIT</b></p> <ul style="list-style-type: none"> <li>Superannuation (retirement savings)</li> <li>Medical insurance</li> <li>Life insurance</li> <li>Education assistance (employee &amp; children)</li> <li>Paid time off</li> </ul>
<p><b>OPPORTUNITIES TO GROW</b></p> <ul style="list-style-type: none"> <li>Promotion</li> <li>Job evolution</li> <li>New equipment &amp; technology</li> <li>CPD, training and qualifications</li> <li>Addressing changing issues</li> </ul>
<p><b>WORK SURROUNDINGS</b></p> <ul style="list-style-type: none"> <li>Attractive office space</li> <li>Pleasant co-workers</li> <li>Interesting and satisfying work</li> <li>Recognition and respect</li> <li>Encouragement &amp; congeniality</li> </ul>



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### Life Begins at Retirement !

At retirement, there are considerations beyond the obvious financial ones, such as how to keep busy and how to stay fit. There are dynamics in relationships and personal situations that come into play in most people's lives.

There are three stages to retirement, the 'active stage', the 'slow down' stage and, finally, the 'dependent stage'. During the first (active) stage, retirement could mean any of the following to an individual :

- Perceived loss of freedom and independence
- Perceived loss of identity when work ends
- Loss of weekends/vacations – all the days become the same
- Perceived as a second chance without distractions of work
- May result in late life crisis (beginning of the end)
- May result in return to work.

There is a trend in some organisations to hire older workers and many companies are developing such policies. Older employees are often seen as loyal, productive, efficient and less likely to switch jobs.

Older workers at retirement can be flexible (e.g. phone rings at 8.20am with a request to work today because a regular worker has reported sick, and retiree can be at work in 20 minutes time). See "pool of contingent workers" under "Retention Techniques".

Many individuals at retirement realise that their superannuation savings are not sufficient to allow them to live the lifestyle of choice, and therefore return to the workforce through economic need.

### Phased Retirement Through Part-time Work

The Federal Government is committed to removing barriers to the participation of older workers in the workforce<sup>5</sup>. The Workplace Relations Act 1996 provides considerable scope to develop working arrangements which assist older workers to remain in, or re-enter, the workforce.

The Act includes a range of provisions intended to prevent and eliminate discrimination on a number of grounds, including age. It also removes the mandatory age of retirement provisions, in most cases.

The Age Discrimination Act 2004 makes age discrimination unlawful in a number of areas of public life (subject to various exemptions) including work.

Regular part-time work, or working reduced hours, are part of a range of flexible working options, which could be negotiated to assist older workers balance their professional and personal lives. Such workers would, of course, receive proportional pay and conditions when compared to full-time workers.

Some older workers may wish to lower their classification level as a transition towards retirement. Some employees may wish to scale down certain responsibilities (such as managerial) and utilise their knowledge and skills in other ways, such as through mentoring.

### References:

1. Monash University -People and Place (Vol13, no.4. 2005)
2. Engineers Australia – Current and Future Skills Needs (March 2003)
3. Profession and Lifestyle – Issue No 10, 2006
4. Tackling the Skills Shortage – A Bottom Up Approach. Warren Sharpe, Eurobodalla Shire Council Flexible Working Arrangements for Older Workers – Commonwealth of Australia, 2003 (<http://www.apsc.gov.au/publications03/maturedewr.htm>)