

HR Coach Research Institute

HR Quarterly Index
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Introduction

The HR Quarterly Index, produced by HR Coach, is a national based research initiative to capture data and report on the changing landscape of HR within the business sector. The HR Quarterly Index provides a snap shot of the research results. The report evaluates measurements of business confidence and people issues, 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 their effects on the business sectors' ability to contribute to the Australian economy.

Australian Businesses Labour Market

Australian business is facing an unprecedented HR crisis. Never before have we been challenged by the multiple effects of a skills shortage, changing demographics, globalisation and technology. Adding to this complexity, the changes in the global economy is creating an unprecedented impact leading to a complex environment moving into the future.

There are a number of surveys reviewing human resources issues and business confidence. The HR Quarterly Index collates data specific to the SME sector and maps ongoing trends and correlates industry feedback to the findings.

Methodology of Research

The premise for the survey is to conduct a snap shot overview of the business sector and current staffing issues at any given time. It maps changes in employment over time and business growth pressures relating to people resourcing.

This is critical when evaluating the forecast shortfall of 195,000 employees as indicated within the **Workforce Tomorrow Report**, from the Department of Employment and Workplace Relations in 2005 (www.dewr.gov.au).

HR Quarterly Index

Summary

Quarter July - September 2008

Changing Market Trends

Following Black Friday 10th October 2008, it is expected it will trigger a very busy Monday.

This report will look at key reports leading to this historic day. But it is not all doom and gloom. The effect of globalisation, cost of debt and interconnectedness has reinforced the importance of the small and medium businesses in Australia.

Interestingly a key statistic from the Sensis® Report in September 2008, identified that 29% of SMEs currently faced no problems in business and were buffered to the roller coaster ride due to good relations with their clients, suppliers and staff.

**Top 3 Issues
for Businesses**

1. Sales
2. Economic Climate
3. Cashflow

For the first time since the creation of this report in 2006, employee attraction and retention has not been within the top 3 concerns for businesses. Is the labour crisis now over? No. It highlights that employee management and planning is more critical and complex for the survival of business and the business owner.

Is it the change we had to have? This may be the opportunity for businesses to get their house in order. There is a warning to employers though– respond – don't react. Confidence and fear is a balance to be kept in check.

Arising from this, retention has just got a whole lot more important. Protect what you have got and focus on productivity is the warning going out to employers.

Right now, many businesses will be focusing on "what next"? Succession planning should be a key priority for many business owners. It is providing an ideal environment to analyse their business and define their direction.

Overall it has reinforced the critical importance of the strength of local business sectors in a global economy.

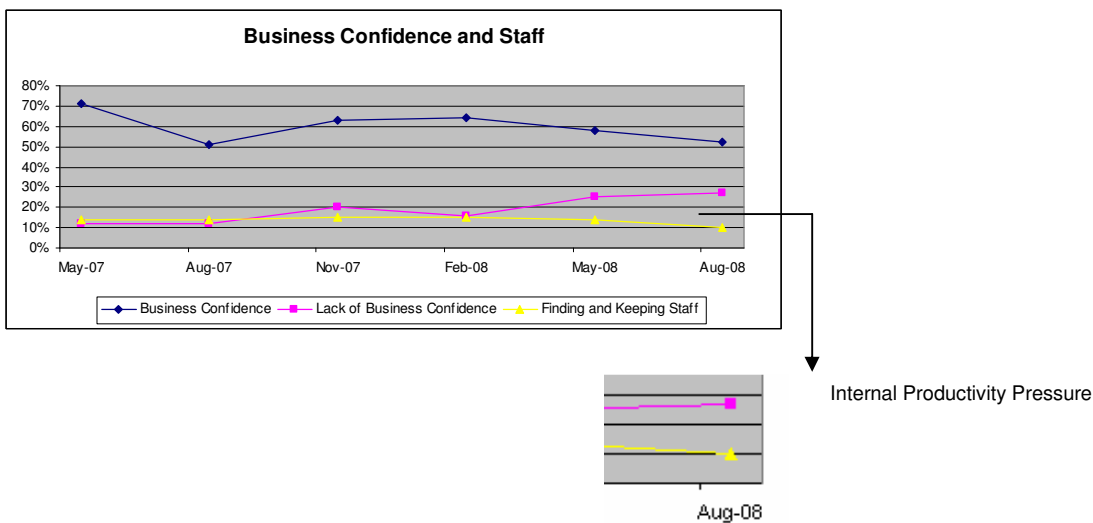
Productivity and Performance

The critical areas to map in the current climate is business confidence and the ability to attract and keep staff from the Sensis® Business Index.

The consistent pressure that existed in attracting and keeping staff has eased in the past quarter, where business confidence has taken precedence this quarter.

The shift in business confidence is continuing to create pressure between strategy and productivity internally. This is reflected in the fact that staffing issues did not feature in the top three issues for businesses for the first time since the monitoring of these factors in the Quarterly Index since 2006.

For the growing number of businesses who have a lack of business confidence, productivity and operational efficiency will continue to be critical in the next quarter.



Internal Productivity Pressure

The growing gap between Business Confidence and Labour Supply Confidence from the Sensis® Report August 2008, has been extrapolated and analysed. The gap has been identified as a **Productivity Risk Factor**. The chart below identifies the shift in the two indicators and the continued trend on productivity pressure.

It was first identified in the previous quarter with a shift of 10%. This quarter has continued to escalate with a further pressure increase of 7%. This represents a 19% shift in 12 months.

	May-07	Aug-07	Nov-07	Feb-08	May-08	Aug-08
Lack of Business Confidence	12%	12%	20%	16%	25%	27%
Finding and Keeping Staff	14%	14%	15%	15%	14%	10%
Productivity Risk Factor	-2%	-2%	5%	1%	11%	17%

The changes represent a significant concern for the business sector where fact and fiction requires careful consideration.

All indicators identify that there is a slow down in the impact of the labour supply which has plagued the growth of organisations over the past two years. The current unpredictable market conditions does not mean that the labour crisis is over; It has simply shifted.

The information from the Sensis® Report is also showing early signs of the busy business owner getting a whole lot busier. The internal pressure on productivity and profit is signaling that the busy business owner will be putting the pressure on themselves.

Given that the key reason for businesses to decrease employment because of the “economic condition” identifies the conservative nature of the business owner. The concern is this. Decisions based on subjectivity and fear as opposed to real business planning and implementation, undermines the sustainability of businesses.

What is the key risk for businesses right now? **Employee Confidence.**

Employee Confidence Risk

The Seek Employment Index has identified a consistent slow down in the advertising of new jobs each month, indicating a definite softening of the labour market. It suggests that it will be easier for employers to fill vacancies in skilled and professional roles.

Employers will need to keep watch on Employee Confidence. If employees can see lack of confidence by the business, in the business – they are at risk of taking flight.

The employment market, where there is a slow down is still highly competitive for skilled employees.

If a business owner is to take a conservative approach in the current market – what is the key action to be taken now?

1. Employee Retention
2. Productivity enhancement

In the current climate, businesses cannot afford to loose their key people, nor can they continue bad or ineffective business practice.

At risk are businesses that employ Generation Y for two reasons:

1. They are drawn to work with well positioned organisations
2. They will leave because of monotonous work

In times of turbulence and uncertainty, business owners need to keep their feet firmly on the ground and not get spooked. Make well informed decisions and involve employees where possible.

Employee Confidence Measurement

From January 2009, the HR Coach Research Institute will publish collated results from a national internal benchmark process on employee and employer confidence within the workplace. These findings will be collated within this report. The STAR Workplace Program, launched on the 1st August 2008, is the basis for data collection.

For more information on becoming involved in the data sample and conduct internal benchmarking through the STAR Workplace Program visit: www.hrcoach.com.au

Reference Reports

The following section reviews data from leading publications which identifies the changing market conditions.

Sensis® Business Index

Business Confidence – Sensis Report Findings

Sensis Consumer Report author Christina Singh identified the following indicators in the latest Sensis Report.

On Business Confidence

- Top three issues for business – 1. Sales; 2. Economic Climate and 3. Cashflow
- 29% of SMEs are facing no problems in business
- Medium businesses overall are more confident than Small businesses
- Metropolitan businesses are more negative about the economy than Regional Businesses
- Metropolitan businesses are reporting higher performance overall than Regional Businesses
- Regional Businesses were more likely in the past quarter to have increased prices and also report an increase in profitability and wage costs
- Businesses number one barrier for taking on new employees was lack of work or sales
- Businesses number one reason for **decreasing employment was due to economic condition followed by business downturn**
- Business support for Federal Policies is at the lowest point since 2001 with an overall negative approval rate to -28%. The overall consensus is that policies worked against small business.
- 63% of SMEs are being impacted by the slow down
- Remedies to counteract the slow down include:
 - 22% Reduce Costs
 - 11% Increase Advertising Spend
 - 11% Decrease Employment**
 - 6% Work harder**

Australian Performance of Manufacturing Index (Australian PMI ®)

The Australian Industry Group - PricewaterhouseCoopers Australian Performance of Manufacturing Index identified Manufacturing activity has weakened to a recorded 5 year low. Manufacturers to the mining and infrastructure industries was the least affected. Interestingly manufacturing activity increased in South Australia and Western Australia, but fell in other states.

Australian Bureau of Statistics

Australian Bureau of Statistics unemployment rate officially sits at 4.3%. Much commentary exists in relation to the bureaus cut of 24% of the sample businesses, which increases the volatility of the data used.

SEEK Job Index August 08

Seek Top and Bottom 5 Jobs

Most Hotly Contested The top five jobs employers with most applicants in August 2008:	Most in Demand The top five most hardest to fill in August 2008 were:
1. Construction (Project Managers)	1. Legal (Senior Associates/Solicitors)
2. Manufacturing/Operations (Packers/Fillers)	2. Consulting & Corporate Strategy (Policy & Planning)
3. Transport & Logistics (Importers/Exporters)	3. Government / Defence (Policy Analysts and Advisors)
4. Accounting (Payroll Personnel)	4. Healthcare and Medical (Managers)
5. Legal (Legal Secretaries)	5. Mining, Oil and Gas (Geoscientists)

ACCI-Westpac Survey

The latest ACCI-Westpac Survey of Industrial Trends reveals a slowdown in confidence, the lowest in five years and predicts that this will continue. It also predicts the rise of unemployment which in 2008 went as low as 4.2% in 2008 to 5% in 2009. The slowdown in jobs growth was the most significant aspect of the survey according to Westpac Senior Economist Anthony Thompson.

Greg Evans, ACCI's director of industry policy and economics said *"While continuing to grow, the Australian economy is slowing down,"* Evans said.

"The outlook for jobs growth has softened. Capital expenditure projections for plant and equipment and buildings and structures have also declined, turning marginally negative. At the same time, cost pressures have remained very strong. As manufacturers have been able to pass on only some of the rising costs, their profit margins continue to remain under very intense pressure."

Greg Evans
ACCI

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About the HR Coach Research Institute

The HR Coach Network is a network of independent coaching businesses that provide HR Coaching solutions for organisations. The HR Coach Research Institute provides the foundation for the Network by keeping up to date with emerging trends and innovation in work practices.

The HR Coach Research Institute researches organisations to improve workplace practices and environments to create a sustainable business sector.

For more information on how the HR Coach Network can assist your business, visit www.hrcoach.com.au

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