

GOOD EMPLOYEE PRACTICES ARE GOOD FOR YOUR BUSINESS

Becoming an Employer of Choice

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Becoming an Employer of Choice

Introduction

In the current environment of relatively low unemployment, people have increased employment choices. Firms need to compete to attract and retain high quality staff. Being a good employer can provide a real competitive edge in this environment.

At a general level, being an employer of choice is about being considerate, respectful, open and responsive to your staff and their needs. This need not require you to provide everything asked of you by employees, but rather to recognise the benefit to you of good staff practices and to be willing to constructively discuss issues in the workplace.

“The capacity of a business to pursue business improvement is limited by the effectiveness of people policies. In simple terms, employees provide the knowledge, skills, motivation and energy in a business. Employees can often be the catalyst for organisational change, the avenue for organisational learning and the source of organisational innovation and development.” (Ministry of Economic Development, “Firm Foundations”, 2002.)

This report sets out some of the key issues to consider in moving your industry or firm to a more competitive position in attracting and retaining staff.

The report covers issues such as:

- having a documented human resources strategy supported by effective ‘people policies’ such as employee performance assessment systems;
- measuring employee satisfaction;
- corporate social responsibility and triple bottom line reporting;
- providing training and development opportunities to employees and potential employees;
- improved management of diversity in the workforce;
- conducting productive employment relationships;
- competitive employment conditions;
- protecting your workforce from workplace injury; and
- supporting migrant talent.

The report concludes with some key points on how to go about developing and implementing these types of policies and programmes for your firm.

Evidence from the New Zealand Business Practices and Performance Study

A recent study of New Zealand business practice and performance shows a real link between firm success and good employee practices.

Background

The Business Practices and Performance Study (BPPS), undertaken in 2001 and building on studies from 1994 and 1999, is the most extensive and representative study of business capability in New Zealand. The results of the study are published by the Ministry of Economic Development in its report “Firm Foundations – A Study of New Zealand Business Practice and Performance”.

Results on Employee Practices¹

The “Firm Foundations” report groups employee practices within firms into three dimensions:

- the *formal* dimension - performance assessment, provision of training
- the *psychological* dimension - implicit aspects of the employer-employee relationship, like trust and interdependence, which underpin an employee’s commitment to an organisation
- the *social* dimension - what the business says about its values and the alignment between the stated business values and management behaviour (exposing the unspoken rules).

To identify the key distinguishing features of high performing firms, the study defines two groups of firms, Leaders and Laggards, according to their achievement on business practices and operational outcome measures². Leaders are defined as those firms that score in the top 20% on both overall practice and outcome measures, while Laggards are those firms that score in the bottom 20% on both measures. For the purposes of this paper, it is reasonable to assume the actions of Leader firms would equate with the actions of an ‘Employer of Choice’.

The study found that Leader firms are more concerned with their employees welfare and have developed more comprehensive systems for:

- measuring and rewarding staff performance;
- providing internal and external training and development opportunities; and
- assessing employee satisfaction.

¹ You may be interested to read the full study results in the report “Firm Foundations” which contains much information on employee practices and many other business performance issues (see end of section to obtain a copy). This paper merely summarises the key findings relating to employee practices.

² “Business practices” refers to e.g. leadership and planning, customer focus, innovation, employee relations. “Operational outcome measures” refer to outcomes on competitiveness, quality and service, timeliness, flexibility, innovation and HR measures. The ranking of Leaders and Laggards does not include assessment of achievement of business results such as productivity, profitability and sales, as these measures are substantially influenced by factors outside the firm (e.g. markets, weather etc.)

Performance by Leader and Lagger firms on employee practices was measured by the BPPS as follows:

Figure 1: Employee Practices Index (Ministry of Economic Development, 2002)

Question: <i>This business ...</i>	Leaders	All	Laggers
reviews employee performance at 'all' levels	72%	30%	12%
has at least 'a few' employees on pay for performance schemes	68%	43%	22%
conducts in-house training	100%	83%	56%
conducts external training	95%	71%	39%
provides opportunities for job rotation/exchanges	65%	46%	24%
systematically measures employee satisfaction	99%	84%	62%
has processes in place to manage employee health and safety	97%	84%	54%

These factors represent only the measurable practices the BPPS was able to quantify, and not the intangible practices such as building trust, fostering a team spirit, imparting your business vision to staff and encouraging open communication.

The employee practices set of indicators showed one of the biggest differences between Leader and Lagger firms behaviour, compared to the other indicators in the study.³ This shows that good employee practices, along with customer focus and leadership and planning, is one of the key factors in successful firms and that under-performing in this area may be a key downfall of less successful firms.

The most dramatic difference was seen in the results on performance assessment (Figure 1 above), with nearly three-quarters (72%) of Leader firms reviewing performance at all levels but an even higher percentage (75%) of Lagger firms not reviewing performance at all.

“Performance appraisal is critical practice for motivating employees. The objectives of appraisal are to evaluate the contributions and progress made by employees towards goals (recognition and accomplishment), help to create training and development programmes to develop employees (advancement), and set new objectives and targets (responsibility).

³The indicator showing the biggest difference between Leader and Lagger scores was “customer focus”, with an average Leader score of 81 and an average Lagger score of 19, followed by “employee practices” (Leaders average 74, Lagger average 27) and “leadership and planning” (Leaders average 73, Lagger average 29).

However, research has shown that, too often, businesses do a poor job of implementing performance evaluation and reward processes – performance measures may be vague or not be well understood by employees; managers sometimes try to evaluate too many people at one time; performance appraisals can be too far apart; there may be little relationship between day-to-day feedback and formal appraisals; or managers can tend to rate average or below average performers higher than they deserve.” (ibid)

In other words, it is not enough to just create a good employment policy. To be effective, policies and programmes must be properly implemented with a view to maintaining quality processes for quality results.

The report “Firm Foundations – A Study of New Zealand Business Practices and Performance”, particularly Chapter 5 “Employee Practices”, is recommended reading. The report is available at http://www.med.govt.nz/irdev/ind_dev/firm-foundations/index.html Copies of the full report are also available from the Ministry of Economic Development by phoning 04-472-0030.

Evidence from PriceWaterhouseCoopers Global Human Capital Survey

The PriceWaterhouseCoopers (PWC) Global Human Capital Survey, conducted in 2002, uses information from over 1,000 firms in 47 countries to point to some key aspects of people management which contribute to improved corporate performance and the creation of sustainable strategic advantage. It concludes that good people management has a positive effect on a range of issues, from increasing employee productivity and reducing absenteeism through to improving profitability. The survey looked specifically at measures of revenue per employee and gross profit margins to see which factors are associated with higher and lower performance.

Documented Human Resources Strategy

The PWC survey found three important aspects of human resources (HR) strategy are linked with better bottom line results:

- an HR strategy that is documented and integrated into the business strategy;
- effective people policies and practice that deliver the strategy across the business; and
- an HR function that can implement policy and strategy and can influence the business.

PWC looked for reasons why a documented and integrated HR strategy is associated with so many benefits and think it is because:

“...the planning and consultation that goes with the preparation of a documented strategy helps the organisation, line management and the HR function to identify priorities and new ways of doing things. It also provides a process for improving buy-ins to plans from key stakeholders, obtaining funds and ensuring sponsorship for ongoing projects and new investment in people management activities.”
(PriceWaterhouseCoopers, 2003)

Effective People Policies to Support Strategy

To be effective, every strategy requires three key links to business practices. PWC translate these key links for an effective HR Strategy as:

- something to interpret the intent into action – *an effective performance management system*;
- some way of lining up individual motivation with business objectives – *for example, a reward system that supports business performance*; and
- ways of measuring the return on investment in people – *for example, more rigorous approaches to training evaluation*.

Given this need, the study noted it was disappointing that only one-third of survey participants had all employees completing performance reviews, and 12% had no performance appraisal process at all.

Corporate Social Responsibility

Being a socially responsible firm can be seen as having a range of impacts from improved recruitment, through improved public relations, to an improved financial 'bottom line'.

The PWC study (Australasian results) found that the majority of Australasian organisations (83%) felt that their organisation had a positive social reputation. Corporate social responsibility was seen as having a financial impact, with 85% of Australasian organisations agreeing that corporate social responsibility is vital to the profitability of any company. The study noted that, with regard to triple bottom line reporting, a significant number of Australian organisations are voluntarily disclosing in their annual reports their organisation's performance against financial, social and environmental accountabilities.

Interestingly, the study found that those organisations that think corporate social responsibility is primarily a public relations issue had lower profit margins. Profit margins are higher amongst those organisations where one business unit, either the HR function or another business unit, has full responsibility for corporate social responsibility.

Further information on this study is available from <http://www.pwcglobal.com/>

Two guides to Triple Bottom Line practices, which may be of assistance, are:

"Sustainable Development Reporting Guide for New Zealand Business" (October 2002), produced by the NZ Business Council for Sustainable Development with support from the Ministry for the Environment. This is available from <http://www.nzbcسد.org.nz/>

"Enterprise3: Your Business and the Triple Bottom Line: Economic, Environmental, Social Performance" (publication expected in June 2003), produced by the Sustainable Business Network in partnership with the Ministry for the Environment. Available from the Sustainable Business Network by phoning 09-920-2400, or via <http://www.sustainable.org.nz/>

The Changing Composition of the Workforce

Population trends and projections point to a substantially different workforce in the future, which will affect people's work prospects and the strategies employers will need to put in place to attract and retain staff.

People will be more mobile ...

Arrivals to and departures from New Zealand are growing both in size and as a proportion of the population. This makes it easier to gain skilled people from overseas, but also for New Zealanders to leave. As a consequence, a relatively high proportion of our working-age population will be overseas-born.

more ethnically diverse ...

Migrants arriving from an increasing range of countries (particularly non-English speaking countries), faster-growing Maori and Pacific populations, and a growing

group of people who identify with several ethnic groups will drive a richer ethnic workforce mix.

and older...

Over the next couple of decades, the proportion of the workforce aged over 45 will increase significantly, as the number of young people entering the workforce will be considerably less than the number of people retiring.

In other words, the future workforce will be increasingly diverse.

Adding to that diversity will be:

- growing numbers of women in the workforce;
- increasing workforce participation by people with disabilities;
- many more people working part-time; and
- increasing numbers of workers with caring responsibilities (for both children and the elderly).

Further information on trends in the future workforce is available from the Department of Labour's Future of Work website: <http://www.futureofwork.govt.nz>

Promoting and Managing Increased Diversity

Being an employer of choice, or even surviving in a very different labour market in the future, will require you to effectively promote and manage increased diversity in your workforce.

The EEO Trust publication "Making the Most of a Diverse Workforce" outlines many benefits to your business of improved management of a diverse workforce and the use of policies to promote family friendly workplaces and better work/life balance. These include:

Increased retention

"At an estimated one year's salary cost for each person replaced, lowering turnover is a significant savings for any organisation ... The Ford Motor Company estimated they had saved \$420,000 over a two year period when six people who would not have previously returned from parental leave did so, after the company introduced the right to return part-time."

Reduced absenteeism

"Fisher and Paykel in Auckland greatly reduced its absenteeism rate after it scrapped a rule on the maximum number of days off a year for such things as sickness, domestic and cultural leave. Sickness leave reduced from 7 – 10 days per person to between four and five days."

Better recruitment pool

"In today's competitive marketplace organisations need to know they are recruiting from both the widest pool and the best available within that ... Forty-three percent of participants in the New Zealand-based Work & Family Directions project reported [EEO] policies had positive effects on their ability to attract employees."

Improved productivity

“In Britain, hardware chain B&Q opened a branch in Macclesfield where all 50 employees were aged over 50 to reflect its customer base in that city. Research found this branch was 18% above average on targets, labour turnover was six times lower than average, short term absenteeism was nearly 40% lower and stock missing through theft and administrative error was less than half the average for other outlets.”

Increased staff loyalty, morale and job satisfaction

“Sixty-seven percent of participants in the Work and Family Directions project reported that work and family policies had a positive impact on employee attitude to the employer, and 52% on employee morale, motivation and commitment.”

Access to wider markets

Employing a more ethnically diverse workforce can provide you with the knowledge and experience to tap into resident ethnic and overseas markets. For example, employing Maori in key positions in your organisation can assist in tapping into the growing Maori consumer, business and investment markets.

Making the business more attractive to investors

“A study of the Standard and Poors 500 found that businesses committed to promoting minority and women workers had an average annualised return on investment of 18.3% over a five year period, compared with only 7.9% for those without such policies.”

and also:

- improved public relations;
- lowered risk of discrimination claims; and
- lowered risk of safety and health claims.

Further information is available from: <http://www.eeotrust.org.nz/>

Offering Future Opportunities/Career Paths

As noted in earlier sections of this report, the provision of training and career development opportunities to staff is linked to improved business performance and can be expected to provide competitive advantage in competing for staff.

An employer of choice would be actively involved in promoting the development of their workforce through training, for example:

- the formulation of, and follow through on, training and development plans for staff, connected to a formal performance assessment system;
- promoting and supporting participation in unit standard based/New Zealand Qualifications Framework recognised training, leading towards a national qualification;
- providing career development through on-job and off-job training (for example, identifying ‘up and comers’ and upskilling for promotion);

- supporting pre-employment education and training (for example, guaranteeing someone a job upon successful completion of training or making a partial contribution to training costs such as through a scholarship programme).

An employer of choice would be actively involved in promoting career pathways in their industry, and their own company, to secondary schools, and through career advisors. This could be extended to offering work experience and school holiday work placements to students and, particularly for those students on the Gateway programme⁴, unit standard assessment in the workplace.

Productive Employment Relationships

Employers of choice understand how important their staff are to their business success. They are straightforward in their dealings, and go beyond just complying with employment rules to create a workplace their staff thrive in. The Employment Relations Act highlights the importance of good faith, mutual trust and confidence as the foundation of the employment relationship.

From an employment relations point of view, an employer of choice is one who:

- views staff as a human asset of significant value to the business, is willing to make an investment in that asset and expects a return of that investment;
- treats staff with consideration and respect;
- addresses concerns before they become problems and seeks to resolve any problems as informally and promptly as possible;
- is not happy when employment problems arise and sees it as a failure of their employment policies and systems;
- learns from employment problems and disputes and is active in making changes to avoid them in the future;
- acts in good faith and is open and responsive to discussing employment matters with workers;
- respects the rights of unions to organise and the rights of employees to choose to be represented by the union;
- develops a constructive, rather than a conflictual, relationship with unions;
- has documented employment policies and is willing to openly consult over and discuss their policies (documented policies ensure transparency and even-handed application); and
- voluntarily complies with the rules and regulations governing employment relations, but recognises that compliance alone is not sufficient to ensure a good employment relationship.

Further information and guidance for individual employers is available from the Employment Relations Infoline on 0800 800 863 or alternatively from <http://www.ers.dol.govt.nz/>

⁴ The Gateway programme provides secondary students with structured learning opportunities in the workplace that can combine with their school studies and may contribute to national qualifications. Further information on the Gateway programme is available from the Tertiary Education Commission.

Competitive Employment Conditions

In order to compete for and retain the best staff, it is important to ensure that terms and conditions of employment (including pay rates) are competitive. This may include looking at what other employers, both in your industry and alternative employment opportunities, are offering.

In situations where there are shortages of employees with the appropriate skills, the competitiveness of pay rates may become a crucial factor in attracting the best staff. Similarly, existing employees may look for reassurance that their contribution is being fairly valued.

Protecting Your Workforce

Once you have successfully recruited an employee you will want to develop them and protect your investment in them. Protection involves paying attention to health and safety in the workplace.

Staff with work-related injuries and illnesses may have to work below their usual capacity, on alternate duties, or they may have to take time off work to recover. This can mean that the knowledge and skills of that particular individual are not available to the business. This can be a major problem when the injured person has rare and important skills.

Having an employee off work or doing alternate duties can either mean that their usual work does not get done, or colleagues have to pick up the extra workload. In some cases replacement labour may need to be found, which can be problematic if there is a shortage of suitably qualified labour.

Lack of attention to safety and high levels of injuries and illnesses can have a negative effect on morale in a workplace. It can also place increased stress on work colleagues.

By focusing on prevention of many injuries and illnesses, a lot of the problems that these can create for your staff and your business can be avoided.

From a health and safety perspective, an employer of choice would be one where:

- managers demonstrate their commitment to workplace health and safety in a variety of ways;
- employees and their representatives are involved in health and safety activities;
- a range of formal and informal communications is used to ensure that health and safety activities are well understood;
- an active method is used to systematically identify, assess and manage the actual and potential hazards in the workplace;
- all staff record and report incidents, injuries, and work-related illnesses – these are investigated and appropriate corrective action is identified and taken;
- all staff are well informed and are adequately qualified for the work they are required to undertake, and they receive appropriate supervision;

- an emergency plan is in place and it covers all types of emergencies;
- injured or unwell employees are involved in a rehabilitation process that results in an early, safe and lasting return to work.

For further information on these points, see ACC Worksafe Cycle: <http://www.acc.co.nz/injury-prevention/safe-at-work/worksafe/>

These expectations are somewhat modified for small business, recognising the practicalities of protecting a smaller workforce and of complying with expectations aimed at larger firms. *Further information on health and safety in small businesses can be found at <http://www.acc.co.nz/injury-prevention/safe-at-work/small-business/>*

Supporting Migrant Talent

In addition to supporting the local labour market and local skill development, the appropriate use of the “global skills pool” can assist employers seeking to fill skilled vacancies.

There are several ways in which employers can tap into overseas talent. The most significant of these is through the General Skills immigration category which will be increasingly driven by understanding New Zealand’s skill needs for economic growth, and which allows NZ residence to those who qualify. In other words, the skills may already exist in the migrant population in NZ for you to tap into.

The Priority Occupations List policy assists in filling chronic work shortages. Overseas placements in jobs that fall within the categories on the list can be made without first needing to establish that there is no suitable NZ person available.

The Talent Visa enables accredited employers to recruit highly talented and skilled individuals from overseas. This is particularly useful for employers who employ significant numbers of overseas workers, as accredited employers need not establish a case for each employee that they cannot find a suitable NZ employee. The Talent Visa is a work-to-residence visa, after two years the talent visa holders will be eligible for permanent residence provided they have met the conditions of their visa and they have the offer of ongoing employment. Talent Visa accreditation can be granted when the New Zealand Immigration Service (NZIS) is satisfied that an employer is in a sound financial position, has a high standard of human resource policies and processes, is committed to training and employing New Zealanders, and has good workplace practices including a history of compliance with all immigration and employment law. The best practice and systems that this paper outlines for employers of choice align with the talent visa accreditation requirements.

However, filling your vacancy with a migrant worker is not the end of responsibility for a good employer.

An employer of choice from an immigration perspective:

- 1 is open to utilising the skills of the existing migrant workforce in New Zealand;
- 2 makes appropriate use of the policies and programmes available through the New Zealand Immigration Service to fill skilled vacancies; and

- 3** supports the settlement of migrants in their workforce by:
- recognising the individual needs of migrant workers, acknowledging each worker will be different;
 - assisting them to understand the operation of your company and the NZ context within it operates, including e.g. NZ employment practices and safety practices;
 - acknowledging the importance of developing work and social networks;
 - assisting them to understand the NZ way of life/mindset/ethos e.g. workplace norms, social norms, behavioural norms;
 - recognising, and accommodating where possible, differences in world view and behavioural norms;
 - is open minded and supportive in the transition from what the migrant worker knows to what they need to know.

One of the specific issues facing many migrant workers and their employers is proficiency in English. Assistance is available in English for speakers of other languages (ESOL), which is purchased by the Tertiary Education Commission via a contract with the NZ Immigration Service.

General information and assistance for individual employers wishing to employ migrant workers is also available by phoning 0508-558-855 or alternatively <http://www.immigration.govt.nz/>

Developing and Implementing Employer of Choice Policies in the Firm

What the 'best' employer of choice policies are will differ among firms and is likely to be firm and workforce specific. It is essential that the coverage and content of individual firms employer of choice policies are developed jointly with staff. The way in which these policies are developed will strongly influence the attitude of staff to working with and within these policies, and thereby effect the outcomes of the policies. In other words, a good process is more likely to create good employee policies and good practice.

Some key points to remember:

- Firms must act in accordance with employer of choice behaviour in developing employer of choice policies. This includes being open, respectful of and responsive to staff.
- Management - employee communication channels must be easily accessible by staff and staff must have confidence they will be listened to.
- Employees often have a better understanding of where innovations can be made as they are more closely connected with work content and processes.
- It is necessary to provide regular forums where employees feel able to present and discuss ideas and raise issues. This can have flow on effects such as improved trust, improved team spirit and improved understanding of business direction.

- Being willing to 'have a go' at new ideas will be critical. This may involve piloting a number of practices or policies and seeing what works best in a particular environment. Celebrating both the failures and the successes will help to recognise staff contribution and encourage staff to propose workplace innovation in the future.
- Research has shown that implementing one improved staff practice alone has little or no effect. It is the combination of improved practice that achieves results. Firms must implement a range of employer of choice policies, as suits their particular workplace and workforce, to achieve the best results.

In Conclusion

Good employee practices are critical to business success. A combination of good practices, developed in consultation with staff and supported by open and responsive workplace communication, will enhance the ability of your firm to compete to attract and retain high quality staff, and can have a real impact on your bottom line!