**HRMT20024 T3 2018 - Assessment 3**

**Key challenges in attracting and retaining staff in financial/banking sector**

**Introduction:**

The purpose of this essay is to conduct research on issues of attracting and retaining employees in Australian banking or financial sector. The increased employee turnover rate has not only affected the growth of the Australian financial sector, but it also has increased the cost of managing human capital to a great extent. As analyzed by Kramar (2013), employee turnover has a significant relationship with monetary and non-monetary employee benefits. The financial sector of Australia plays a significant role in strengthening the national economic structure by making a massive contribution to the GDP. According to the financial records released by the government, the Australian financial sector made a contribution of around $150 billion to the GDP in 2018 (Fintech.treasury.gov.au, 2019). As one of the biggest contributors to the GDP, the financial sector in Australia holds a strong and growing workforce of around 450,000 people.

Despite possessing an effective growth rate, the particular industry has encountered employee turnover issues over the past few years. This essay has developed an analysis of HR roles and responsibilities to overcome employee turnover issue from Australian banking or financial industry. The entire research of various functions of HR relating to the Australian financial sector has been conducted based on five selected HRM themes, including ‘Analysis and Design of Work’, ‘Recruitment and Selection’, Human Resource Development and Career Planning’, ‘strategic human resource management (SHRM)’, and ‘Managing Employee Turnover and Retention’

**Discussion:**

Among a number of HRM functions, job design and job analysis are the two most significant concepts that not only enhance the performance level of employees but also facilitate individuals in achieving professional goals and objectives. According to the analysis conducted by Talukder (2011), job analysis supports different HRM functions, such as work design, selection, HR-planning, job evaluation, performance management, and career planning. It is important for the line managers of Australian financial companies to consider organizational strategic objectives while designing job for employees. Gialuisi & Coetzer (2013) have argued that the HR managers need to take responsibility for identifying whether the assigned tasks are doable for the employees. Almost every large-scale financial company operating in Australia utilizes diverse motivational approaches in order for designing jobs for employees. The HR managers should also consider three significant motivational approaches, such as a mechanistic, biological and perceptual motor.

One of the key findings of the research conducted by Siengthai & Pila-Ngarm (2016) suggests that job redesign and employee performance is related to each other. Besides, job satisfaction has a positive and significant relationship with employee performance. In the Australian financial sector, the HRM needs to enhance the job satisfaction level of employees by redesigning their jobs, leading to an increased level of employee performance and reduced employee turnover rate. Without considering the employees’ concerns pertaining to job satisfaction, it may not be possible for the HRM of financial organizations to increase employee performance level, resulting in reduced employee turnover. Underhill (2013) has argued that during the change management process, the HRM of Australian financial companies should use the job redesign concept to maintain a high level of employee performance. Human capital development is a significant HRM function that is used to motivate employees for maintaining a good performance level by enhancing their knowledge, competencies, abilities and skills. There are diverse areas of HRM functions, where job analysis and job redesign can be implemented, such as emotional labour, offshoring, and knowledge work. In the context of Australian financial sector, the HRM should focus on three major functions of HRM, including job design, workflow analysis and job analysis, to overcome employee turnover issue. Hence, it can be assessed that the job design and job analysis play a significant role in developing human capital, leading to the improvement of the productivity of business and reduced employee turnover.

Kossivi, Xu & Kalgora (2016) have delineated recruitment and selection function is one of the noteworthy practices of HRM that have a significant relationship with the highly engaged workforce in the organization. It has been found that maintaining organizational productivity in the competitive business environment is a major task for the HRM. When recruiting employees in the financial organizations, the HR managers need to focus on diverse characteristics of vacancy, such as internal recruitment, external recruitment, and high pay strategies. From the findings of the research analyzed by Wheeler, Halbesleben & Harris (2012), it has been evaluated that in order for retaining and attracting talented employees, the HRM of Australian financial industry considers diverse sources of recruitment, including public employment agencies, internet recruitment, private employment agencies, advertisement and financial institutions. Online or internet recruitment has emerged as an effective way of tapping into the wide pool of talent across the large Australian market. Siengthai & Pila-Ngarm (2016) have argued that during the process of recruiting employees in the financial companies, the HRM must consider several selection criteria, including interpersonal skills, communication skills, financial knowledge, attitude, leadership skills, teamwork competency, work experience and emotional intelligence. Employees’ communication skills and financial knowledge are the two most significant areas that HRM needs to evaluate while recruiting them in the organization.

Parry & Jackling (2015) found that cultural fit refers to an important recruitment criterion that HRM of Australian financial companies followed while recruiting employees in the organization. In recent time, cultural compatibility has emerged as a central theme to include skilled employees into the existing workforce, as the HR managers believe that recruiting culturally misfit employees could create difficulties for enhancing the organizational productivity. In contrast, Gialuisi & Coetzer (2013) have argued that the lack of involvement of culturally diverse employees often becomes a threat to the organizational growth in the multicultural society. It is important for the HRM of Australian financial companies to focus on recruiting employees from different cultural settings in order to enhance skills and competencies of the workforce, leading to the development of competitive advantages in business. The Professional Service Firms (PSFs) operating in the Australian financial sector should change their attitudes of recruiting only culturally fit employees to develop the skills of the workforce and reduce employee turnover rate to a great extent. Therefore, it can be assessed that the employee recruitment criteria must be aligned with organizational goals and objectives to curb employee turnover issue.

Siengthai & Pila-Ngarm (2016) have delineated learning and development as a process of developing skills and competencies of employees in order to enhance employees’ workability towards achieving business goals and objectives. Human resource development programs focus on enhancing every organizational aspect, such as employees’ career and individual growth. In the Australian financial sector, a number of banks and other financial institutions have encouraged candidates to gain financial knowledge and develop required skills through Vocational Education and Training (VET) (Underhill, 2013). It is important for the HR managers of the company to follow the Australian Qualifications Framework (AQF) to provide adequate support to the VET programs. As argued by Kossivi, Xu & Kalgora (2016), the HRM of diverse financial companies operating in Australia needs to design training programs for expanding employees’ knowledge domain of diverse emerging technologies, including advanced financial systems. Training needs-assessment is a major function of HRM that needs to be taken before designing training programs for employees. An ineffective assessment of employees’ training-needs could cause skill shortage issue for the financial companies.

Asrar Mirza & Riaz (2012) have found in their research that training needs assessment has a positive relationship with two key HRM functions, including job analysis and performance analysis. There are a number of significant variables of training needs assessment that the HRM needs to take into the consideration include career development (CD), performance analysis (PA), knowledge, skills and abilities (KSA), and job analysis (JA). Wheeler, Halbesleben & Harris (2012) have argued that the major factor behind the failure of assessing proper training needs for employees is the improper collection of information by the HRM from each stage of the training needs-assessment process. It is important for the HR managers, possessing the responsibility of conducting training needs-assessment, to focus on performance and job analysis, as these two variables play a significant and positive role in evaluating employees’ training needs (Nguyen & Teo, 2018). The training-needs assessment can be conducted based on three measures, including task analysis, organizational analysis and person analysis. Employees’ performance gap can be identified through personal evaluation, whereas the effectiveness of training is identified through organizational assessment. Task analysis, on the other hand, refers to the evaluation of employees’ knowledge, skills and competencies, required for the accomplishment of the given task (Kramar, 2013). Some of the large-scale Australian banks, including Westpac Bank, Commonwealth Bank, National Australian Bank (NAB), and Australia and New Zealand Banking Group (ANZ), have already focused on developing learning environment for enhancing employees’ skills and knowledge base to enable them in dealing with any financial uncertainties.

According to Siengthai & Pila-Ngarm (2016), Strategic Human Resource Management (SHRM) refers to one of the most significant HRM functions that require to be applied in the organization in line with business objectives and goals. The purpose of using SHRM is to enhance organizational performance and productivity in the competitive business environment. It is important for the HR managers of Australian financial companies to apply SHRM to overcome challenges that an organization may encounter in case of financial uncertainties. For managing human capital, the HRM needs to focus on diverse activities, including employee relations management, HR planning, work designing, conflict management, and diversity management. On the other hand, managing talent in the organization is largely reliant on how effectively the HR managers conduct training and development, and recruitment and selection practices. In recent time, employee skill shortage has become a major issue that the management of financial companies operating across Australia is dealing with (Gialuisi & Coetzer, 2013). Consequently, the recruitment managers encounter challenges to fulfil the vacant job posts with the skilled and efficient employees. In critical business contexts, the SHRM tool needs to be utilized to deal with the situation and manage the desired growth in the competitive market. Gomes et al. (2012) found in their research that the HRM encounters huge difficulties during the pre and post stages of merger and acquisition. In most cases, inconsistency among diverse HRM functions, post-merger integration and pre-merger strategies create challenges for financial companies to be merged with other financial organizations.

By developing strategies pertaining to effective communication and diversity management, the HRM could overcome challenges during the pre and pose merger situation. As argued by McKenzie (2011), the assessment of employees’ skills and competencies, and the implementation of the continuous learning environment in the workplace are two most significant functions of the HR department of financial companies to attract and retain a workforce for a long period. Another noteworthy factor that the HR managers need to consider while developing strategies for business is that the organizational goals and objectives must be aligned with the HRM strategies (Morgan-Hoole, 2018). In order to engage a skilled workforce in the financial companies, the HRM should focus on four key SHRM strategies, such as formulation, assessment, control and implementation. Therefore, SHRM plays a significant role in reducing employee turnover in the financial organization to a great extent.

As discussed by Jung & Takeuchi (2016), employee turnover and retention can be effectively managed by noteworthy HRM strategies developed as per the goals and objectives of the organization. Employee turnover is of two types, including voluntary and involuntary turnover. Voluntary turnover refers to the process, where employees initiate their separation from employment. Involuntary turnover, on the other hand, is a process initiating employee separation by the employer. Curbing involuntary turnover relies on how efficiently the HRM of Australian financial companies follow various principles and frameworks, such as distributive equality, interpersonal fairness, and procedural justice. McNeil & Bartram (2013) have argued that the financial companies operating across Australia should adopt Employee Assistance Programs (EAPs) and Outplacement counselling, to overcome involuntary turnover. It is the responsibility of the HR managers to involve employees with psychological challenges in the Outplacement Counseling program, while the drug-addicted employees should be involved in the EAPs. Some of the major factors behind the voluntary turnover in Australia based financial companies include lack of career development, job dissatisfaction, and poor financial remuneration.

For reducing employee turnover, various HRM functions need to be designed and shaped as per the ethical guidelines. It has been found from the research conducted by Rees & Johari (2010) that the HR policies should be transparent and implemented appropriately in the financial companies to enhance the motivation level of employees towards being associated with the business for a long period. Sometimes, the HR managers are unable to adopt the strategic role, as they encounter issues surrounding autonomy and credibility, which are promoted in the organization by effective leadership approaches, rapid decision-making, and courageous strategic attempts. Mohamed, Katua Ngui & Mulili (2017) have argued that lack of effective communication between diverse HRM functions and the senior management is a significant issue creating barriers to the implementation of strategic initiatives in the organization. The ineffective communication system also causes a voluntary turnover in financial companies. In the financial organizations, the HRM needs to provide career development opportunities to the existing and new employees to encourage them towards attaining individual as well as organizational goals and objectives. With the implementation of diverse pay strategies, including financial benefits, work-life balance, non-financial rewards, and fair pay structure, the HR managers of Australia-based financial companies can motivate employees, leading to the curbed employee turnover rate. Hence, it can be assessed that the HRM should focus on practising diverse functions, such as HR planning, strategic implementation, and human resource development, to manage employee turnover and retention.

It can be summarized that the roles and responsibilities of HRM play a significant role in improving employees’ association with the organization. One of the major findings of the job design process is that the HR managers need to take responsibility for identifying whether the assigned tasks are doable for the employees. In recent years, a number of Australia-based financial companies utilize diverse motivational approaches in order for designing jobs for employees. Cultural fit has been found as one of the major recruitment criteria for Professional Service Firms (PSFs) operating in the Australian financial sector. Job analysis and performance analysis are two key HRM functions that possess a strong and significant relationship with a training needs assessment. Australian financial companies need to apply SHRM to overcome challenges that organizations may encounter during any financial uncertainties. In order to reduce employee turnover, various HRM functions need to be designed and shaped as per the ethical guidelines.

**Conclusion:**

Throughout this essay, the researcher has successfully discussed diverse functional areas of HRM that play a significant role in reducing employee turnover issue in the organization. It has been found that job analysis supports diverse HRM functions, such as work design, HR planning, job evaluation, selection, performance management, and career planning. Job redesign, on the other hand, possesses a significant relationship with employee performance. Based on the findings of the research, it can be suggested that the HR managers need to focus on diverse characteristics of vacancy, such as internal recruitment, external recruitment, and high pay strategies while recruiting employees in the financial organizations. It is important for the HR managers of Australian financial companies to focus on recruiting employees from different cultural settings for the enhancement of skills and competencies of the workforce. It is also significant for the HRM to focus on four key SHRM strategies, such as formulation, assessment, control and implementation, to overcome challenges pertaining to financial uncertainties.