

# Australian Infrastructure Industry

## Staff Retention & Engagement

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Authored by: Dr. Lynne Cruickshank, Head of Research, PBC



# Staff Turnover

Staff turnover can impact an organisation and its employees in many ways including on an organisation's revenue and profitability as well as employee workload, productivity and morale. In general, the Australian labour force tends to be very mobile, with the majority of employees changing their jobs for voluntary reasons (NCVER, 2014). Younger workers, lower-skilled workers, workers in metropolitan areas, and casual workers are reportedly more likely to change jobs. That said, people who are over-skilled for their job have also been found to leave more frequently than other workers, most likely due to their skills being underutilised.

It has been observed that employees tend to be transient in the Australian infrastructure industry and there is an interest in understanding what can be done to more effectively retain employees in this industry. According to the Australian Industry Group, in 2020 the average labour turnover across industries in Australia was 8.2%. However, labour turnover rates were higher in industries like the construction industry which had a rate of 10.1%. The Australian Bureau of Statistics (ABS) also notes that labour mobility among workers in the construction industry is relatively high.

## Causes of Staff Turnover

According to the Australian Infrastructure Audit (2019), the infrastructure industry culture can hinder talent attraction and retention including:

- A project-based workforce that leads to a culture of prioritising short-term 'wins' rather than long term outcomes and reduces a focus on long-term workforce development.
- Disjointed corporate knowledge as large and complex projects do not occur with sufficient frequency to instil specialised knowledge.
- Workforce wellbeing impacted by long hours and limited opportunities for advancement or the development of skills.
- Within some professions, particularly construction and engineering, low levels of female participation.
- Fragmented supply chains, industrial relations constraints, and outdated industrial practices within the sector.
- An absence of trust between clients and contractors and between the community and construction project teams.

Skills shortages can also contribute to higher rates of employee turnover, in part because workers have increased bargaining power to seek higher wages and better conditions elsewhere. Frequent night shifts and challenging conditions have also been proposed as potential drivers of higher turnover rates in the infrastructure industry.

The majority of decisions to change organisations are driven by the personal priorities of the individual. According to the Australian HR Institute's Turnover and Retention Research Report (2018), the main reasons employees elect to leave their organisation (in order of prevalence) are:

1. Lack of career progression/opportunities
2. Better pay elsewhere
3. New career opportunity
4. Poor relationship with supervisor/manager
5. Lack of training and development opportunities
6. Poor work/life balance
7. Personal circumstances e.g., health
8. Poor job design
9. Permanently leaving the workforce
10. Relocation of employee
11. Lack of employee voice in the organisation
12. Insufficient flexible work arrangements available
13. Poor relationship with co-workers
14. Physical work environment

## Recommendations

While the above list notes some of the main reasons why staff turnover may occur, it is valuable for organisations to invest in understanding why their staff are currently electing to leave the organisation. This should include conducting quality exit interviews with staff who have decided to voluntarily leave the organisation to obtain information about their decision. The key is ensuring quality exit interviews are conducted in order to obtain honest and useful information from the departing employee and requires consideration of aspects such as who will be conducting the exit interview, its timing, method, structure and focus (Spain & Groysberg, 2016). The data can then be used to help spot trends in who is leaving and why and potential issues that may be contributing to staff turnover.

In addition to exit interviews, it is also useful for an organisation to survey its current employees to obtain information around factors that may be currently impacting on staff engagement, organisational culture, and intention to remain working at the organisation. Conducting competitor analyses around aspects such as salary, benefits, work opportunities etc can also be beneficial to help an organisation understand why staff may choose to leave and work for another organisation.

# Staff Retention & Engagement

## Common Retention and Engagement Strategies

Employee retention and engagement requires deliberate strategic actions and there are a range of actions that organisations may take in an effort to build employee retention and engagement. According to the Australian HR Institute's Turnover and Retention Research Report (2018), some of the most common strategies that organisations have in place to encourage employee retention include:

- Training and development opportunities
- Flexible work arrangements
- Performance appraisal and feedback systems
- Work/life balance initiatives
- Positive workplace culture
- Employee recognition initiatives
- Workplace health and wellbeing activities
- Effective recruitment and selection processes
- Competitive salary
- Effective management/leadership
- Career progression opportunities
- Competitive benefits
- Mentoring program/buddy systems
- Robust diversity and inclusion strategy

Similar strategies are also often used to help boost engagement levels. However, the impact of specific retention and engagement strategies are likely to vary depending on the organisation and its employees and how well they are implemented.

## Enhancing the Effectiveness of Retention and Engagement Strategies

Retention and engagement strategies are most likely to be effective when they are targeted and driven by strong leadership and accountability to ensure they are being implemented effectively. If management is out of touch with how staff are motivated, the effectiveness of staff retention and engagement strategies is likely to be significantly reduced. Organisations should seek to understand what their staff value and find motivating at work as well as what impacts on their level of engagement and intention to either stay or leave the organisation. It is important to also keep in mind that what motivates staff to stay or leave their organisation may change over time. Regularly gathering data and information on factors such as staff engagement and why staff are electing to voluntarily leave the organisation can help with ensuring staff retention and engagement strategies are targeted to address those key issues that may be having an impact at a given point in time. It is also important to ensure that there is follow through on addressing any specific issues identified when gathering information from staff.

## The Most Effective Strategies

According to the Australian HR Institute's Turnover and Retention Research Report (2018), the following strategies were identified as the most effective for retaining employees:

1. Effective management/leadership
2. Positive workplace culture
3. Opportunities for career progression and promotion
4. Flexible work options
5. Training and development opportunities
6. Excellent pay and benefits
7. Effective recruitment and selection processes
8. Regular feedback on performance
9. People management training for line managers
10. Recognition programs
11. Health and wellbeing programs
12. Excellent work environment facilities
13. Coaching and mentoring programs
14. Comprehensive induction program

## Leadership and Staff Retention and Engagement

Leadership plays a key role in staff retention and engagement, with Gallup stating that 70% of the variance in employee engagement can be contributed to a team's manager. They found that leadership behaviours centred around positive workplace relationships, recognition, ongoing performance conversations and opportunities for development were closely linked to high engagement levels. Gallup's research also indicated that engagement is highest amongst employees who meet with their manager at least once a week.

When identifying what effective leadership looks like, transformational leadership has been identified as an effective leadership style in which leaders inspire and motivate their staff. Transformational leaders help connect staff to the organisation, act as a positive role model that inspires them, encourage staff to take greater ownership for their work, and understand the strengths and develop opportunities of staff so they can assign tasks that optimise their performance. Transformational leaders listen and attend to staff needs, provide support, engage in open communication, stimulate and encourage learning and thinking independently, and articulate an inspiring vision and promote a sense of purpose.

PBC has also conducted research into the most effective leaders and found four meta-competencies that differentiate higher performing leaders. These are being achievement focused, inspiring, strategic, and emotionally intelligent. They include setting clear goals

and high performance expectations, working hard to improve morale and create a positive working environment, being visionary and strategic and communicating a long-term vision, and managing one's emotions appropriately and exhibiting excellent people skills. Engaged, high performing teams are the expression of an organisation's leadership, with the best leaders focusing on culture and performance as culture enables performance.

### Creating a Positive Workplace Culture

Having a positive workplace culture is important in effectively retaining and engaging staff. Positive workplace cultures support employees in feeling that they belong and are valued and focus on the growth, development, and promotion of staff within the organisation. Positive workplace cultures tend to exist in organisations that are purpose- or values-driven with leaders playing an important role in communicating and promoting the purpose, vision and values of an organisation and helping staff understand how their day-to-day work links to the organisation's broader vision and strategy. They help staff clearly understand what is expected of them and set challenging yet attainable goals. In positive workplace cultures, leaders also stay in touch with their staff to listen and engage with them and provide regular feedback. Feedback is two-way with employees having the opportunity to communicate issues that they may experience and provide input about operations within the workplace.

Rewards and recognition can also act as a powerful form of feedback for employees and help employees feel appreciated and valued when performing daily tasks, with employees who don't feel appreciated more likely to leave their jobs. It is useful to obtain staff input when identifying potential methods to use for rewarding and recognising staff as this can vary amongst employees. Organisations should avoid a one-size-fits-all approach and regularly evaluate their rewards and recognition program to ensure that it suits their staff.

### Specific Motivators for Infrastructure Industry

PBC conducted some research to examine the most prevalent motivators for those working within the infrastructure industry. The research was based on the Motives, Values, Preferences Inventory (MVPI) which is an assessment that provides information on the kind of work environment in which a person will derive the most motivation. When reviewing relevant MVPI data applicable to the infrastructure industry, the following were identified as the top motivators for those in individual contributor roles in the infrastructure industry:

1. Security – valuing predictability, consistency and structure.
2. Science – valuing using the latest thinking and objective, data-driven decision making.
3. Commerce – having an interest in business, finance, and money making opportunities.

For those in supervisory, management or executive roles within the infrastructure industry, the top three motivators were:

1. Commerce – having an interest in business, finance, and money making opportunities.

2. Power – desiring success, accomplishment and status.
3. Science – valuing using the latest thinking and objective, data-driven decision making.

Overall, the results indicated that those within the infrastructure industry were more likely to be satisfied in organisations where:

- Salaries, benefits and bonus opportunities are explicitly emphasised.
- There are opportunities to demonstrate one's abilities and for career progression.
- Can draw on the latest thinking and engage in analytical problem solving.
- There is structure, consistency, and long-term stability.

### Recommendations

Organisations should track their staff retention and engagement rates to look at how they are currently tracking including in relation to the rest of the industry. Tracking staff retention and engagement rates will also enable the organisation to see the impact of staff retention and engagement strategies that have been implemented.

To help ensure retention and engagement strategies are targeted, organisations should regularly collect data related to staff engagement and intention to stay/leave as well as conduct exit interviews. This will help identify issues currently impacting on engagement and contributing to staff leaving the organisation. Scientifically validated measures should be used where possible when collecting data and information. It is also important that there is any follow up on any issues identified when collecting and analysing this data and information.

As leaders play a significant role in driving staff retention, engagement and performance, there should also be a regular focus on their performance and development. This may include using 360 and personality assessments to identify their motivators, strengths and potential derailers as well as how their leadership style and behaviours are currently being perceived by their direct reports and peers to identify opportunities for improvement. The development of leaders should be focused on increasing the demonstration of effective leadership qualities and behaviours such as those associated with transformational leadership and being achievement focused, inspiring, strategic and emotionally intelligent.

Organisations should review the purpose and strategic direction of the organisation and how effectively these are being communicated and linked into the daily work of staff. Organisations should also review current practices related to the development and promotion of staff as well as their rewards and recognition programs due to their positive relationship with staff retention and engagement. This should include equipping staff with capabilities that they are likely to find beneficial in the future as well as helping staff understand their career progression opportunities. Additionally, organisations should ensure staff are provided with an opportunity to

voice their views in relation to current issues and practices in the organisation as well as what they find motivating and rewarding.

## **About Peter Berry Consultancy (PBC)**

PBC is a multidisciplinary global consulting firm with 30 years' experience in the delivery of solutions aimed at maximising the potential of individuals, teams, leaders and organisations. We undertake research to support our evidence-based solutions and have a network of partners and distributors globally.

PBC is the Australian distributor of Hogan Assessments and the authors of a range of diagnostics including the Hogan 360 suite, Agile suite, High Performing Team Assessment (HPTA), and co-authored the Hogan Safety Climate Survey.

**Peter Berry Consultancy Pty Ltd**  
**info@peterberry.com.au | www.peterberry.com.au**  
**ABN: 77007400606**

**Sydney Office**  
T: +61 2 8918 0888  
Level 8, 201 Miller Street North Sydney, NSW 2060

**Melbourne Office**  
T: +61 3 8629 5100  
Suite 303, 430 Little Collins Street, Melbourne, VIC 3000

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