

Retaining key employees

George's heart sank as Frank enthusiastically explained why he should approve an exceptional salary increase for one of his Stakeholder Relationship Management (SRM) team leaders at the Canzalian Department of Resource Allocation and Sustainability (DRAS). Helen, a relatively recent recruit, was a high performer with excellent relationship skills who had quickly been promoted and had played a major part in advancing previously stalled resource allocation plans. She had been offered a higher-paid job with a private company. Frank said Helen was one of his key staff members, and was keen to stay with DRAS but, recently divorced and with two young children, she needed the extra money.

This was the third such request George had received in the last few months. Citing the exceptional circumstances provided for in DRAS's remuneration policy, he had endorsed the previous requests. But he knew the problems inherent in such salary increases; he must respond to Helen's situation, but he also needed a strategy for retaining key employees.

Remuneration at the Department of Resource Allocation and Sustainability

DRAS was a "superdepartment" established in 1995 to oversee the resource allocation and sustainability of Canzalia's terrestrial and marine resources. George was the National Manager of the Stakeholder Relationship Management Group (SRM), which provided advice on environmental standard-setting, resource planning and allocation, and sustainability. SRM engaged extensively with groups of stakeholders who were often in conflict with each other, and with the government. SRM had a special role in maintaining the government's commitment that the indigenous Canza Islanders would retain traditional land and water rights.

This case study has been edited by Janet Tyson from material originally prepared for a postgraduate course in Human Resource Management. While it is based on a real situation, details have been anonymised. It has been prepared as a basis for class discussion, not to illustrate either effective or ineffective handling of a management situation.

Cases are not necessarily intended as a complete account of the events described. While every reasonable effort has been made to ensure accuracy at the time of publication, subsequent developments may mean that certain details have since changed. This work is licensed under Creative Commons Attribution-NonCommercial-NoDerivatives 4.0 International Licence, except for logos, trademarks, photographs and other content marked as supplied by third parties. No licence is given in relation to third party material. Version 19-10-2009. Distributed by the Case Program, The Australia and New Zealand School of Government, www.anzsog.edu.au.



When DRAS was established it inherited a remuneration system that placed it in the lowest paying quartile for most job classes. This caused difficulties attracting and retaining good

employees. In the late 1990s, the Chief Executive adopted a strategy to improve remuneration to the third quartile, expecting this would result in fewer, but higher performing employees. While it did prove easier to recruit and retain higher-performing employees with greater pride in the organisation, some retention challenges remained, especially where DRAS employees were attractive to other departments and the private sector.

Most DRAS employees considered the department's remuneration policy to be fair, but it tended to reward those who had been with the organisation for a long time. At 13 percent per annum, unplanned turnover at DRAS was lower than the Canzalian public service average, with turnover within SRM lower again.

Each DRAS employee was paid within one of four salary bands, in which there were thirteen possible steps. Within their salary band, employees were automatically paid increases, annually to the most junior employees but less frequently to those in higher salary bands.¹ An occasional double increment was paid for high performance. The only way an employee could move up from the top step of a salary band was by getting a job for which a different remuneration band applied. DRAS was introducing a competency system to help employees understand what was needed to move to higher salary steps and bands.

The department had no specific policy for retaining key employees. However, with the Chief Executive's approval, increments of more than two steps could be paid, and in exceptional circumstances, salaries could be set above normal bands for "red circle" positions.

New skills and competencies

This remuneration system posed problems for managers who wanted to reward recently-recruited and high-performing employees who had new skills needed by the organisation. One such area of work was resource allocation planning, where good relationship management skills were needed, and ability to cope with ambiguity. Teams had to work collaboratively with stakeholders, and operate with limited policy guidance.

Helen had demonstrated strengths in this area. She was younger than others appointed to similar roles, with less resource allocation experience. But she had succeeded in significantly advancing the development of resource allocation plans, after three previous attempts had failed. A recent injection of government funding put further pressure on SRM to deliver, and the team was making good progress: "proof-of-concept" resource allocation plans were completed, and the first round of standard allocations well under way. George knew he had a strong case to ask the Chief Executive to approve an exceptional salary increase for Helen.

He was also aware that other team members, and more senior team leaders, might consider they also merited such an increase. With the department operating to a fixed baseline budget, such increases would eventually translate into fewer employees. SRM's overall workload was increasing and team members were already working hard.

¹ Salary increases were based on market movements for each job class, and a performance increment.

George wondered if there might be non-salary alternatives to help retain Helen and other key employees. Helen had already told him how she appreciated the flexibility in work hours provided to her under DRAS's commitment to provide flexible work options where practicable. She knew that DRAS would fund management and leadership training, on top of what she had already received.

Decision time

George had to make two decisions. He needed a strategy to retain key SRM employees. But right now, he had to decide whether to request Chief Executive authorisation for Frank to negotiate a higher salary for Helen.