

The cost of labour turnover

Last year, this column pointed to signs that employer concerns were dominating the Australian agenda for workplace flexibility and revised working hours. 'Flexibility for whom?' we asked.

New statistics released recently confirm those suspicions. Almost forty per cent of Australian full-time workers now have working hours which are not fixed. More than forty per cent work regular overtime and fifteen per cent work more than fifteen hours overtime each week. Only one-third of this additional time is paid overtime. It is apparent that the bulk of changes being made to the structure of the working week are benefiting the employer. So much so that a majority of workers report a decline in the balance between their work and family responsibilities. And many also report increasing work-related stress.

Perhaps this explains why Australia has one of the highest labour turnover rates among OECD nations — around twice that of France, for example. Though a direct causal connection cannot be made, it seems inevitable that at least some employees who are finding it harder and harder to juggle work and home will be looking for jobs where the balancing act might be easier. If so, then even employees who are otherwise content with their lot may be lost to the organisation, especially if their skills are in general demand.

ALIA's national workplace survey (see pages 20-21) paints a picture of library workers as particularly positive in their attitude to work. But worryingly thirty-seven per cent say their satisfaction with work and family balance has declined in the past year. Simultaneously, the survey confirms that wholesale changes to library working patterns and hours of work are among the most significant changes over the same period. Moreover, library workers, despite being positive about their jobs overall, report a major decline in their capacity to have a say in changes affecting them and in their satisfaction with management. Again, we cannot prove cause and effect here, but can anybody seriously doubt the connections?

There is obviously nothing wrong with managers aggressively pursuing changes which can benefit the business. And employees cannot expect to experience only changes which suit them. But as with any relationship — and we should remember that is exactly what the employment contract regulates: a *relationship* at work — the search for mutual benefit is a more effective vehicle for achievement of objectives than win/lose struggles to impose an agenda demanded by one and resisted by the other party.

If the change process for working time is too one-sided it may well exacerbate already unsatisfactory labour turnover levels. This would be a major loss for employers. And a huge cost. In this respect, Wayne Cascio, professor of management at the University of Colorado, has applied his world-renowned model for personnel costing to

show that total real costs of labour turnover are daunting.

Using Cascio's process, a recent paper from Melbourne University's Department of Management and Industrial Relations draws some very interesting conclusions about the value of applying sound work-family policies and the costs of failing to do so. In *Costing turnover: implications for work/family conflict*, working paper n° 3, researchers Abbott, De Cieri and Iversen conduct a sizeable case study to show that each replacement of high-performance middle managers or professionals costs organisations around \$75 000. Costs are quantified in three categories: separation costs and lost productivity prior to exit (\$12 000); replacement costs and first month after hiring productivity loss (\$35 000); and training/induction costs (\$28 000). They argue that in organisations or industry sectors where women predominate, a major reason for resignation of employees at this level is the absence of family-friendly policies. They see the issue as a critical element of effective diversity management with important implications for competitive advantage.

As well, the paper speculates that the absence of such policies generates significant absenteeism among workers who remain, often ostensibly for other reasons such as sickness. As the estimate for days lost from absenteeism in Australia is 30 million per year and the cost to employers is calculated at more than \$7 billion, the authors suggest that there is room for huge cost-savings via a more positive approach to providing greater working time flexibility for employees.

As members of one of the most feminised and rapidly changing industry sectors, librarians, however, may find most acute the paper's arguments about the readiness of employers to accept change. Few will need reminding of the continual urging of governments and industry representatives enjoining employees to welcome and accept change at work. The authors argue convincingly that reluctance to introduce effective work and family policies in fact represents an unwillingness by managements to accept the realities of the labour market and the need for change to deal with them. One of the most outstanding features of the 1990s labour market in all developed countries is the huge increase in participation rates for women. It is predicted that within ten years women will make up almost half of all employees. Already there are 240 000 employed female sole parents in Australia. And forty-five per cent of women with children under five are now in the workforce. For these people, family-friendly practices will continue to be a critical issue for the foreseeable future, even if men eventually shoulder their share of the parenting load.

If the rhetoric of competition, flexibility and productivity is to produce the outcomes it seeks, organisations would do well to recognise that action to deal with the new realities of workforce demographics can be a sound component of their framework for change. ■



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Manager,
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...each
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