Labour costs, myopia and false economy

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For industry these days, workplace disputes cost far less than accidents, illness and malingering. Yet many employers — and the media — are obsessed with even the hint of industrial action however minor. Strangely, they pay much less attention to these other more expensive staffing issues. That may seem odd, given the focus on cost-minimisation in recent years. In fact, it is just another example of penny-wise, pound-foolish workforce management.

In the case of employees unable to work for a period but now passed fit for partial duties, for example, some employers see rearrangements to accommodate them as simply too much trouble. Sometimes the worker is dismissed; more often she remains on paid leave for much longer. If the absence results from a compensable condition, payments may continue for years — and at full pay. When no work is found for them, partially-fit workers are deemed totally incapacitated under the law. The employer pays a full salary but receives nothing for that expense. Eventual liability may be greatly increased if it is clear that genuine efforts toward rehabilitation have not been made by an employer. This can involve hundreds of thousands of dollars in a single case. And if treatment of employees has been particularly heavy-handed, a finding of disability discrimination may well result, with financial penalties and damage to corporate reputations. To turn around the cliché, a better case of 'lose/lose' could hardly be imagined.

In their own interests, employers should adopt more flexible procedures for getting people back to work as quickly as possible. It saves them money; and it can prevent illness or injury from ruining an employee's life. Moreover, in many cases failure to do so is illegal. Rehabilitation is a cornerstone of most workers compensation law nowadays. This imposes a strict legal obligation on employers to offer suitable employment to a worker able to return, whether on a full- or part-time basis and whether or not she is fit to come back straightaway to her previous job. In most jurisdictions, formal 'return to work plans' are mandatory in compensation cases. Any employer not currently complying with these provisions should be seeking expert legal advice on how to do so as a matter of urgency.

There are other short-sighted and costly attitudes to staff absence. Sick leave entitlements are granted in a rigid manner which is often against both employer and employee interests. For example, industrial agreements or awards may grant, say, ten days paid sick leave per year. When taking it, staff are required to produce a doctor's certificate after two or three days. No certificate is required for single-day absences. Unused leave accumulates but, when the employee resigns or retires, entitlements are neither transferred nor paid out. Employees nearing the end of their working life have a strong incentive to take their accumulated entitlements before leaving even if they are not really sick. There are many other negative effects. Many employees see ten days off each year as an entitlement and therefore take it all, or most of it, even if they are not ill. There is little to stop them simply reporting in sick and having a day off when they feel like it. At the same time, a conscientious employee with almost two years absence-free service may contract an infectious illness at work, preventing her from working for three weeks. Despite her entirely genuine absence, a week of it will be unpaid. Or a colleague with five years service may also suffer the same illness but have few sick-leave credits because he has taken seven or eight single days off every year.

A sick-leave policy which draws no distinction between these examples is almost the epitome of inflexibility. Its encouragement of employees to take time off whether or not they are actually sick proves costly for employers and dangerous for workers when real illness strikes. Obviously, a sick leave policy which provides incentives for employees not to take their entitlements unless they are genuinely ill would be in everybody's interests. Partial pay-out of accrued entitlements at retirement or on resignation after, say, ten years service and greater restrictions on single, uncertified days off would be sensible steps in that direction.

A third area of staff productivity loss which should cause employer concern is that of smoking breaks. It is approaching twenty years since Australian employers first became alarmed by potential legal costs from workplace smoking. Since then, the anti-smoking lobby has achieved almost total victory in its push for smoke-free workplaces. In recent years, a number of pivotal passive-smoking cases have meant that almost all enclosed workplaces

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are now smoke-free. This was clearly desirable and is an example of sound risk-management by organisations. But it has created its own problems. Foremost among them is the sight of employees standing outside buildings for lengthy periods. Some estimates suggest that heavy smokers are spending more than ten per cent of their working time on smoking breaks. There is little doubt that this creates serious problems, from both direct productivity loss by smokers and resentment among their non-smoking colleagues.

When major employers first moved to implement smoke-free policies — as long ago as 1986 — a fundamental element of agreements reached with trade unions [in, for example state and federal public services] was a phase-in period of twelve months. Smoking breaks were a part of that concession. Smokers were to be supported in attending quit courses and gradually getting their smoking habits under control prior to the start of the agreed total ban at the end of the phase-in. For the most part, these agreements have not been pursued and paid breaks have been allowed to become a more or less permanent entitlement. Now the Tasmanian Public Service has finally bitten the bullet and has banned all paid smoke-breaks. Whether other employers will follow is unclear.

In an age of endless cost-cutting rhetoric, it has been amusing to watch many employers failing for years to limit a major inefficiency [time lost to smoke-breaks] when they have clear authority and formal agreement to do so. In stark contrast, many of them have maintained hairy-chested and expensive sick-leave and rehabilitation policies that are in neither their own nor their employees' interests. At both extremes, their approach is the very opposite of a sensible labour-cost reduction strategy. ■

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