

# PRACTICE NOTE 5.12

## THE BUSINESS CASE FOR FAMILY FRIENDLY WORK POLICIES

### SECTION 5: PERSONNEL MATTERS

ISSUE: 1 DATE: MAY 2010



Business | Engineering | Design

Driving Business Success for Consulting Firms in the Built and Natural Environment

## 1. PURPOSE

The primary purpose of this Practice Note is to provide policy advice to Consult Australia's members on parental leave and to offer an explanation of the relationship between parental leave, flexible work arrangements and skill retention (including the representation of women, equity in pay and employment opportunities).

A secondary goal is to provide information that can build member understanding of the positive impact that diversity and skill retention strategies can have on firm performance.

This Practice Note originated from a combined effort by Streamwise - a company offering growth strategy solutions to businesses [www.streamwise.com.au](http://www.streamwise.com.au) who kindly offered to partner with Consult Australia (then the ACEA) to conduct research to inform this Practice Note.

## 2. EXECUTIVE SUMMARY

With the Australian Governments' announcement to introduce a Paid Parental Leave Scheme and continued demographic changes (namely the aging population, increasing career mobility and competition from non traditional employers for talented engineering graduates), Consult Australia's member firms can choose to take a proactive approach to adopting best practice parental leave and flexible work policies.

For firms seeking to employ strategies which attract and retain female staff, there are a range of strategies that can be used. Paid parental leave can be considered one such strategy.

Research completed by various groups (referenced throughout this Practice Note) suggests that there are also other benefits of paid parental leave which are harder to measure, such as improved organisational efficiency, increased job satisfaction and increased productivity. Paid Parental leave is primarily attractive to female workers (assuming that they are the primary care giver, as is traditionally the case), however it should be noted that the secondary care giver also benefits.

To attract and retaining quality engineering and related professionals, Consult Australia's member firms can do the following:

- a) Set objectives for employee retention and skill development with a particular emphasis on the retention of women and support for their career progression;
- b) create an inclusive culture that supports diversity, builds engagement and promotes superior performance; and
- c) adopt a best practice parental leave policy and flexible work arrangements.

The benefits to firms adopting best practice parental leave policies and flexible work arrangements are:

- enhanced market competitiveness;

# PRACTICE NOTE 5.12

## THE BUSINESS CASE FOR FAMILY FRIENDLY WORK POLICIES

### SECTION 5: PERSONNEL MATTERS

ISSUE: 1 DATE: MAY 2010

- enhanced employee value proposition and employer of choice status;
- increased productivity and financial performance;
- the ability to attract and retain top talent and skills in a competitive labour market;
- reduced costs associated with recruiting and re-training;
- improved employee well-being with support provided through various life stages; and
- pre-empts the introduction of impending government regulation

Consult Australia's members can consider these elements as part of a "best practice" parental leave scheme:

- 13 weeks leave on full pay and up to an additional 18 months unpaid leave for the primary carer;
- 2 weeks paid leave for the non primary carer;
- exit support (discussion with the line manager supported by HR);
- access to subsidised childcare facilities
- inclusion in internal communications during the separation period (hardcopy as well as email);
- invitations to internal and external corporate functions during the separation period;
- inclusion in staff training and development initiatives during the separation period;
- providing support upon re-entry (discussion and agreement with the line manager supported by HR);
- part-time transitioning plan for return to full time employment on re-entry at the option of the employee (in consultation with the line manager).
- In addition to the parental leave provisions, a best practice approach is "whole of firm" and includes diversity training for all managers, job sharing, telecommuting, carer's leave, internal networking and mentoring programs for women and support for career breaks for all staff.

The Equal Opportunity for Women in the Workplace Agency (EOWA) has also released its latest census on women in leadership. This report highlights the lack of progress with regard to top level opportunities for women in the workplace and suggests that business leaders, employers, and the community at large should be concerned about the waste of female talent. There is likely to be more scrutiny from EOWA which already has reporting requirements for members.

## 2.1 Industry Snapshot

Arrangements for, and approaches to, paid parental leave vary across the Consult Australia membership. The larger firms tend to have defined policies while the smaller ones are more likely to work on a case by case basis.

Approximately 16% of member firms have a paid parental leave policy compared to 74.8% for financial services and insurance, 58.6% for professional, scientific and technical services and 56.1% for mining. Most accounting, banking, law, IT and local government organisations offer 6-14 weeks paid parental leave.

# PRACTICE NOTE 5.12

## THE BUSINESS CASE FOR FAMILY FRIENDLY WORK POLICIES

### SECTION 5: PERSONNEL MATTERS

ISSUE: 1 DATE: MAY 2010

Some members have been denied access to use of the EOWA logo due to lack of compliance with EOWA standards. It has traditionally been difficult to attract and retain women in the engineering and related professions which makes compliance more difficult, but this also means it is important to focus on retaining the women currently working for member firms.

### 3. INTRODUCTION AND ABSTRACT

#### 3.1 Public Policy Settings

On 10 May 2009, the Government announced that it will deliver a Paid Parental Leave (PPL) scheme to support Australian families and prepare Australia for the economic and social challenges of the future.

This government-funded scheme will provide the primary carer with 18 weeks post-natal leave, paid at the adult federal minimum wage (currently \$543.78 per week).

The cost of the scheme will equate to approximately \$260 million per annum.

The scheme will not commence until 1 January 2011, to allow the community and businesses time to prepare.

The Government has confirmed that employers will not be required to pay superannuation on PPL payments. However this is subject to a review beginning two years after the scheme has commenced. This is a saving of approximately \$85 million (gross) per annum to employers.

The rationale behind the introduction of the scheme is that it will boost workforce participation which will be essential in meeting the economic and social challenges of an ageing Australian population. Also, it is assumed that Paid Parental Leave will help Australian families find a better balance between work and caring responsibilities and will allow mothers to spend vital time with their newborn babies.

In 2007, less than one quarter of women on very low wages had access to paid maternity leave, compared to three quarters on high wages.

The government-funded scheme will be based closely on the recommendations of the final report of the Productivity Commission (PC) Inquiry into Paid Parental Leave: Support for Parents with Newborn Children, which was released with the 2009-10 Budget.

The original commencement date as advised by the Australian Government is 2011 although, the Government is still deliberating this date and how best to implement the scheme.

#### 3.2 Government PPL Scheme

In summary, the Government PPL Scheme is substantially based on the recommendations of the PC with two exceptions:

# PRACTICE NOTE 5.12

## THE BUSINESS CASE FOR FAMILY FRIENDLY WORK POLICIES

### SECTION 5: PERSONNEL MATTERS

ISSUE: 1 DATE: MAY 2010



Business | Engineering | Design

Driving Business Success for Consulting Firms in the Built and Natural Environment

- a) The Government will defer the introduction of the two-week paternity leave component, subject to further review;
- b) The Scheme will be income tested – mothers (and primary care givers) must have earned \$150,000 or less in the previous financial year.

#### ***Key points:***

- An eligible person will receive taxable PPL payments at the Federal Minimum Wage (currently \$543.78 per week) for a maximum period of 18 weeks;
- Eligible persons will be able to apply for the payments up to three months prior to the expected birth or adoption of the child;
- Payments under scheme can occur any time after the birth or adoption of the child;
- If the primary care giver returns to work they may be able to transfer the unused part of the PPL scheme to another caregiver, provided they meet the eligibility requirements;

#### ***Eligibility:***

- The Scheme is available to parents who are the primary carers of a child born or adopted on or after 1 January 2011 (but employees could lodge forms on 1 October 2010);
- The primary carer must be in paid work and have been engaged in work continuously for at least 10 of the 13 months prior to the expected date of birth or adoption of the child **and** undertaken at least 330 hours of paid work in the 10 month period;
- The primary care giver must have earned \$150,000 or less in the previous financial year;
- The Scheme is open to contractors and the self-employed;
- Except in the case of multiple births, families electing to participate in the scheme will forfeit the Baby Bonus

#### ***Employer Considerations:***

- Payments under the scheme for eligible employees are to be made by the employer where the employee has completed twelve months continuous service. For other employees, payments will be made directly through the Family Assistance Office (Centrelink).
- Centrelink will transfer Government funds to employers before the payments in each payroll cycle are due.
- Employees can chose to receive the baby bonus in lieu of the PPL.
- PPL entitlements can be taken in conjunction with other employer-provided leave entitlements, including paid parental leave entitlements under a workplace agreement.
- Employers are not required to make compulsory superannuation contributions on payments under the Scheme; however this is subject to further review.

# PRACTICE NOTE 5.12

## THE BUSINESS CASE FOR FAMILY FRIENDLY WORK POLICIES

### SECTION 5: PERSONNEL MATTERS

ISSUE: 1 DATE: MAY 2010

- Employees will not accrue leave entitlements.
- It is possible that “keeping in touch” provisions may be introduced, which would allow employees (with agreement of the employer) to work for 10 days out of the 18 weeks.

#### ***Implementation and Review:***

- The details of the Scheme are to be finalised following consultation with key stakeholders, including employer organisations, in the second half of 2009.
- The Scheme is expected to cost \$731 million over five years.
- The Government expects to introduce legislation to Parliament in 2010.
- The Government will review the scheme two years after it commences and will consider the introduction of employer superannuation contributions and a paternity leave component.
- It is welcome that the Government has recognised that costs and regulatory burdens on business should be minimised. As such, employers are not required to fund in whole or in part the PPL Scheme, or to pay superannuation or fund the PPL from employers’ cash reserves (only to be reimbursed through PAYG); the proposed Scheme appears to require unnecessary red-tape for both the employee and employer.
- One possible alternative to the proposed Scheme to be discussed with the Government is to give employees the option of receiving PPL payments from the Office of Family Assistance rather than from the employer (i.e. an opt-in mechanism).

#### **4. RATIONALE: RETAINING TALENT IMPACTS FIRM PERFORMANCE**

The logic for workforce diversity can be explained as follows:

- Diversity has a positive impact on performance (there is benefit in retaining skilled women)
- Talent shortage (a need to retain skills including skilled women)
- Retaining skills is necessary to be competitive (again, a need to retain skills including skilled women)
- Paid parental leave is an important step in retaining skilled women and developing diversity which benefits firm performance – (diversity has a positive impact on firm performance).

##### **4.1 Benefits of diversity**

EOWA research<sup>1</sup> shows that a diverse workforce leads to improved financial success. An American Management Association study showed that mixed gender teams made a significant positive difference to sales revenue, market share and operating profit.

---

<sup>1</sup>Why EO Makes Business Sense 2008, EOWA Website:  
[http://www.eowa.gov.au/Australian\\_Women\\_In\\_Leadership\\_Census/About\\_Equal\\_Opportunity/Why\\_EO\\_Makes\\_Business\\_Sense.asp](http://www.eowa.gov.au/Australian_Women_In_Leadership_Census/About_Equal_Opportunity/Why_EO_Makes_Business_Sense.asp)

# PRACTICE NOTE 5.12

## THE BUSINESS CASE FOR FAMILY FRIENDLY WORK POLICIES

### SECTION 5: PERSONNEL MATTERS

ISSUE: 1 DATE: MAY 2010



Business | Engineering | Design

Driving Business Success for Consulting Firms in the Built and Natural Environment

In 2003 the European Commission for Employment, Industrial Relations and Social Affairs surveyed 200 companies in 4 European Union countries and found that companies implementing workforce diversity policies identified a number of benefits producing short and medium-term performance benefits. For example, over 60% of the surveyed companies reported that diversity policies enhanced corporate reputation, helped attract and retain highly talented people, improved motivation and efficiency of existing staff, enhanced services levels and customer satisfaction and helped to overcome labour shortages.<sup>2</sup> All of these elements are used by companies in a wide range of sectors to establish competitive advantage and create value.

An engineering example is Skanska Sweden. Management of Skanska believed that their industry's lack of diversity was seen as the number one barrier for attracting engineering graduates. When young high potentials were asked about factors that reduced Skanska's attractiveness as an employer; diversity together with low brand awareness were the top responses.

The firm conducted research and came to the conclusion that 35% of the Swedish university engineering graduates are female. However, they discovered that they had been hiring less than 35% females in their graduate engineering intake. In order to attract, recruit and not discriminate against female applicants, an internal target of 35% female hires was set along with specific action plans on how to reach the target.

The initiative was a clear success, and the goal of 35% was not only reached but exceeded. In 2006, 40% of the hired engineering graduates were women. In addition, the internal goal of having an equal voluntary turnover rate among female and male engineers was reached. The goals were achieved using a combination of two programs: 'Great Boss', a leadership development program; and the Skanska diversity initiative.<sup>3</sup>

Organisations in Australia have also reported benefits. Through diversity initiatives they see reduced employee turnover, which has a bottom-line impact through reduced recruitment and re-training costs and retention of tacit knowledge. Staff turnover is expensive. Recruitment costs include advertising, time spent on interviews, clerical and administrative costs associated with training new employees. Additional costs include termination pay, loss of specialist knowledge and even loss of customers.

The banking and finance industry in Australia is setting best practice standards for diversity and seeing tangible benefits. Westpac introduced a 6 weeks paid maternity leave scheme in 1995. The scheme was then rolled into a formalised Enterprise Agreement in 1998 which extended the provision to include parental and adoption leave. Following the introduction of the enterprise agreement in 1998, Westpac's return to work figures rose significantly in the 3 years to 2001 from 52% to 94.5%. Westpac estimated this has saved them over \$6 million. As qualified staff become harder to find and more valuable to retain, Westpac has extended its paid parental leave scheme to 12 weeks.

<sup>2</sup> The costs and benefits of diversity, November 2003, Centre for Strategy and Evaluation Services, European Commission, <http://www.eurofound.europa.eu/eiro/2003/11/feature/eu0311208f.htm>

<sup>3</sup>Source: Skanska website: <http://www.skanska.co.uk/en/>

# PRACTICE NOTE 5.12

## THE BUSINESS CASE FOR FAMILY FRIENDLY WORK POLICIES

### SECTION 5: PERSONNEL MATTERS

ISSUE: 1 DATE: MAY 2010



Business | Engineering | Design

Driving Business Success for Consulting Firms in the Built and Natural Environment

#### 4.2 Talent Shortage

There is a shortage of talent in the marketplace and offering best-practice policies and work environment is crucial for attracting and retaining talented staff among Consult Australia's member firms in order to remain competitive in the marketplace.

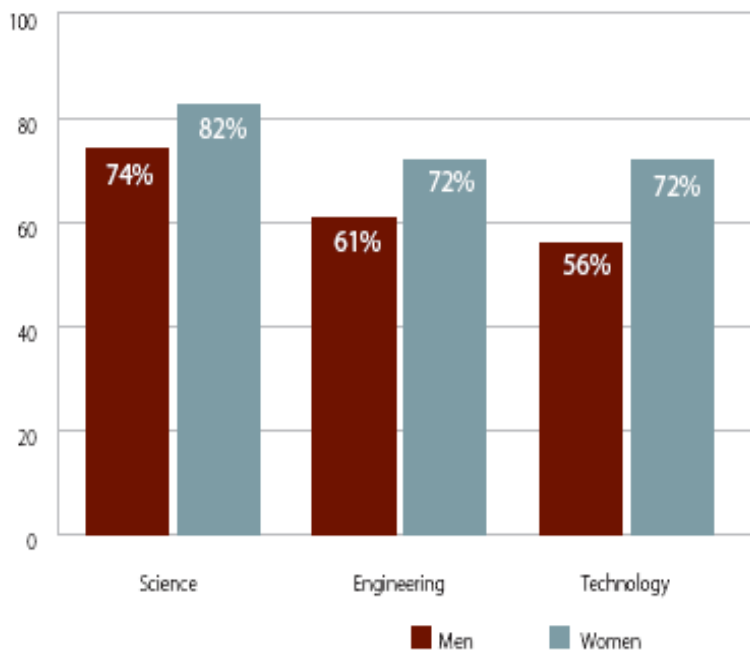
Long term capacity of Australia's engineering skills base is in trouble. The Engineering Profession: A Statistical Overview 2008 Report estimates 70,000 engineering professionals will retire by 2011. The expected 45,000 graduates over the same time frame will not cover the losses; this translates to a current shortfall of 28,000 engineers in Australia. With shortages of skilled labour expected to continue, women's participation will be more heavily relied upon in the future.<sup>4</sup> Whilst these numbers may have changed slightly since the Global Financial Crisis (GFC), Australia has been experiencing a critical skills shortage in many areas of high economic value, and engineering skills shortages have been, and remain, high on this list. The shortage of qualified engineering professionals (as well as engineering para-professionals and technicians) is systemic rather than cyclical, and will impede Australia's ability to respond to the various challenges at hand, including both the GFC and climate change issues.

The worldwide economic slowdown has not changed the long term need for more engineering skills to be developed, both in Australia and globally. Firms are indicating that if they are to deliver on the Federal government's stimulus infrastructure plans, then more engineering skills will be required on an ongoing basis.

Table 1 (below) illustrates results of female engineers' performance reviews across science, engineering and technology.

**TABLE 1 Young Talent and Performance Reviews**

(Note: young = ages 25-29)



<sup>4</sup> Engineers Australia, *The engineering profession: a statistical overview* (fifth edition, 2008)

# PRACTICE NOTE 5.12

## THE BUSINESS CASE FOR FAMILY FRIENDLY WORK POLICIES

### SECTION 5: PERSONNEL MATTERS

ISSUE: 1 DATE: MAY 2010



Business | Engineering | Design

Driving Business Success for Consulting Firms in the Built and Natural Environment

The exit rate (out of the industry) of women engineers in Australia is high. EOWA research shows that women have the same expectations as men when job seeking (job security, supportive boss, job satisfaction). And, both women and men identify good pay and bonuses as most important. However, women are more likely to consider additional factors such as the promotion and support of women, flexible working conditions and the provision of paid parental leave to be significant<sup>5</sup> "The cultures of many engineering workplaces are female and family-unfriendly."<sup>6</sup>

The level of support to combine paid work with child bearing and raising can influence women's participation. Access to leave for the birth and subsequent care is one aspect of this support; others include access to child care and flexible work arrangements. Flexible working arrangements include work from home options, flexible office hours, part-time work, flexible access to leave entitlements and job sharing.

Participation of women of childbearing age (15-44 yrs) in the workforce has risen from 59% to 71% since 1980<sup>7</sup>, but "women and minorities are grossly underutilised in science and engineering. Ways must be found to attract and retain both groups into technical careers, particularly women, who currently are the largest group of degree-earners in college."<sup>8</sup>

EOWA survey results show that the following reasons that women leave their employers:

- 17% of women believe their workplace offers no flexibility whatsoever
- 12% of women were motivated to resign in search of greater work/life balance
- 10% resigned because they sought a more flexible role

The primary reason that women need flexibility is to meet their family responsibilities. Table 2 (on the page following) demonstrates the burden of care placed on women by age category.

<sup>5</sup> *Why EO Makes Business Sense 2008* EOWA Website:

[http://www.eowa.gov.au/Australian\\_Women\\_In\\_Leadership\\_Census/About\\_Equal\\_Opportunity/Why\\_EO\\_Makes\\_Business\\_Sense.asp](http://www.eowa.gov.au/Australian_Women_In_Leadership_Census/About_Equal_Opportunity/Why_EO_Makes_Business_Sense.asp)

<sup>6</sup> Roberts & Ayre, 2002. *The Athena Factor*, Hewlett et al 2008 and "Counting the Losses...The Careers Review of Engineering Women: an investigation of women's retention in the Australian engineering workforce.

<sup>7</sup> Australian Social Trends 2007, Article: Maternity Leave Arrangements, Australian Bureau of Statistics, catalogue no. 4102.0

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/Latestproducts/F658A74FDC5BAF3FCA257480002B983A?opendocument>

<sup>8</sup> Buchsbaum, S, AT&T Bell Laboratories executive, quoted in *who wants to be an engineer?* The New Scientist, p. 5 O'Neill, B., May 1990.

# PRACTICE NOTE 5.12

## THE BUSINESS CASE FOR FAMILY FRIENDLY WORK POLICIES

### SECTION 5: PERSONNEL MATTERS

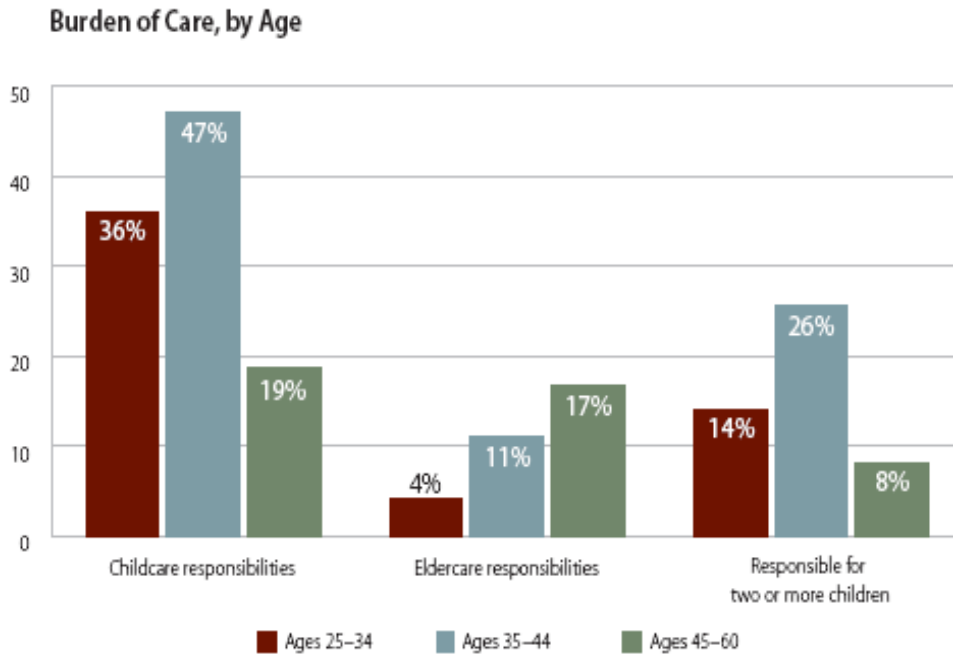
ISSUE: 1 DATE: MAY 2010



Business | Engineering | Design

Driving Business Success for Consulting Firms in the Built and Natural Environment

**TABLE 2 Young Talent and Childcare Responsibilities**



A significant factor in relation to the opportunity to retain the skills of talented women is timing. It is crucial to intervene in the 'fight or flight' period, when childcare responsibilities and career opportunities

collide, age 25-35. Paid parental leave is not the only lever but it is a good place to start in order to have an impact on the retaining the skills of talented women.<sup>9</sup>

<sup>9</sup> Hewlett, S. et al, June 2008, *The Athena Factor: Reversing the Brain Drain in Science, Engineering, and Technology*, Center for Work Life Policy, Product 10094, Harvard Business Review Research Report.

# PRACTICE NOTE 5.12

## THE BUSINESS CASE FOR FAMILY FRIENDLY WORK POLICIES

### SECTION 5: PERSONNEL MATTERS

ISSUE: 1 DATE: MAY 2010

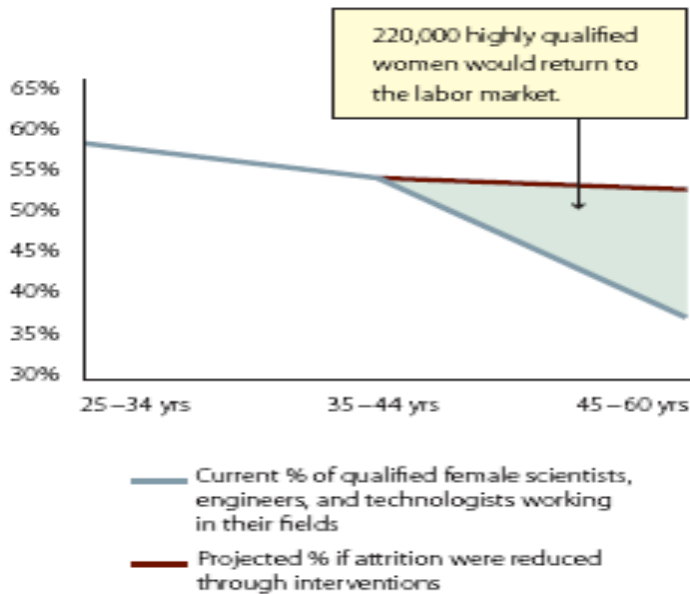


Business | Engineering | Design

Driving Business Success for Consulting Firms in the Built and Natural Environment

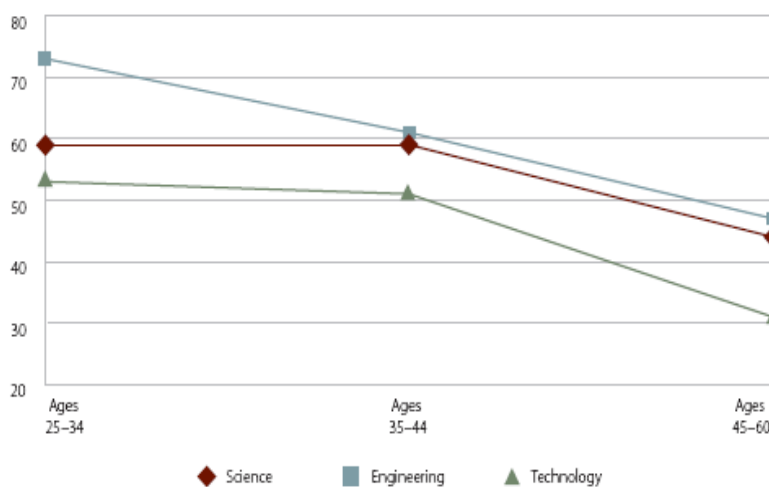
**TABLE 3 Qualified Female Professionals, Attrition Minimising Opportunities**

#### Intervening at the Fight-or-Flight Moment



When careers stall due to childcare responsibilities, there is a resulting decrease in pay, often due to taking part-time work which in turn limits future opportunities. This in turn decreases the attractiveness of the work, another important factor in retaining talented women. They want to know that they can advance and do interesting professional work rather than being relegated to support roles.

**TABLE 4 Female Science, Engineering & Technology Attrition Age<sup>10</sup>**



<sup>10</sup> Tables 1-4 from Hewlett, S. et al, June 2008, *The Athena Factor: Reversing the Brain Drain in Science, Engineering, and Technology*, Center for Work Life Policy, Product 10094, Harvard Business Review Research Report.

# PRACTICE NOTE 5.12

## THE BUSINESS CASE FOR FAMILY FRIENDLY WORK POLICIES

### SECTION 5: PERSONNEL MATTERS

ISSUE: 1 DATE: MAY 2010

#### 4.3 Why offer paid parental leave to the primary care-giver, regardless of gender?

It promotes a culture that is socially responsible and supports diversity:

- In 60% of Australian families, both parents work<sup>11</sup>;
- The woman may be the higher income-earner in some families;
- Caring for family is a shared responsibility, not just a woman's role, and for this reason many men seek flexible work practices;
- Paid parental leave provides an option for a parent to return to work while their partner cares for the child; and
- Organisations committed to families are seen to be socially responsible to employees when they promote flexible work and family arrangements.

#### 4.4 Paid parental leave encourages women to return to work:

A growing number of organisations are using paid parental leave as a successful means of encouraging women to return to work after child birth. It is increasingly being seen as a cost-effective means of attracting and retaining skilled staff. Paid parental leave refers to employment-protected leave of absence for employed women at around the time of childbirth. It provides an employee with structured payments on the grounds that the employee shall return to work after a predetermined period.

Paid parental leave can improve employee retention and make member firms more competitive in attracting talent and increasing the number of employees. Returning to work after childbirth leave is not the only benefit of paid parental leave. It can be concluded that there is also a positive impact on staff morale and productivity which translates into improved company performance.

## 5. BENCHMARKING TALENT RETENTION WITHIN THE ENGINEERING PROFESSION

### 5.1 Best Practice in Australia

The Streamwise team researched best practice within the engineering sector, including a survey of Consult Australia's members which shows that one of the main reasons for loss of engineers of both genders from member firms is due to staff seeking alternatives that will offer greater work life balance, especially for mid level and senior engineers. Females represent 20% of mid level positions and 10% of senior level roles<sup>12</sup>. Flexible work practices would benefit member firms' retention of engineers in general and for female engineers, paid parental leave is one of the most important flexible practices available.

<sup>11</sup> Australian Bureau of Statistics, Australian Social Trends 2006, catalogue no. 4102  
<http://www.abs.gov.au/AUSSTATS/abs@.nsf/ProductsbyCatalogue/0F7E1ADC77B6BB66CA25732C00206FBF?OpenDocument>

<sup>12</sup> ACEA Skills Survey Results 2008, <http://www.acea.com.au/downloads/446-2008skillssurveyresults.pdf>

# PRACTICE NOTE 5.12

## THE BUSINESS CASE FOR FAMILY FRIENDLY WORK POLICIES

### SECTION 5: PERSONNEL MATTERS

ISSUE: 1 DATE: MAY 2010



Business | Engineering | Design

Driving Business Success for Consulting Firms in the Built and Natural Environment

Best practice initiatives in relation to the retention and development of women employees, requires a full suite of flexible work policies:

- Paid parental leave and support for returning to work
- Part-time work and job sharing,
- Working from home (with equipment supplied by the employer)
- Flexible start and finish times, including flexible rostering and compressed hours
- Flexible access to leave entitlements and time off in lieu
- Training on how to manage diversity and flexibility
- Mentoring and development programs that incorporate streams targeted at women
- Childcare centres

Table 5 illustrates a number of the more widely used approaches to flexible work and their usage by both men and women.

**TABLE 5 Flexible Work Practice Use<sup>13</sup>**

| Family friendly workplace practices | % reporting availability of these practices |       | % reporting having used these practices |       |
|-------------------------------------|---|-------|---|-------|
|                                     | % women                                     | % men | % women                                 | % men |
| Flexible work hours                 | 66  | 70    | 53                                      | 58    |
| Job sharing                         | 19  | 15    | 5                                       | 8     |
| Part-time work                      | 49  | 27    | 13                                      | 4     |
| Leave without pay                   | 84  | 77    | 25                                      | 14    |
| Paid maternity                      | 45  | 43    | 5                                       | 0     |

<sup>13</sup> Table 5: from "Counting the Losses...The Careers Review of Engineering Women: an investigation of women's retention in the Australian engineering workforce, Roberts and Ayre 2002

# PRACTICE NOTE 5.12

## THE BUSINESS CASE FOR FAMILY FRIENDLY WORK POLICIES

### SECTION 5: PERSONNEL MATTERS

ISSUE: 1 DATE: MAY 2010



Business | Engineering | Design

Driving Business Success for Consulting Firms in the Built and Natural Environment

|                 |    |    |   |   |
|-----------------|----|----|---|---|
| leave           |    |    |   |   |
| Paternity leave | 47 | 29 | 1 | 3 |
| Carers leave    | 48 | 35 | 5 | 5 |

Of all private sector industries, the banking sector appears to have adopted best practice by international standards. A recent survey of major banks in Australia and New Zealand revealed the following results:

#### 5.2 Parental Leave Comparisons:

|               | Parental leave – primary care giver   | Parental leave – non primary care giver | “Keep in Touch” program for staff on parental leave | Flexible return to work after parental leave  |
|---------------|---|---|---|---|
| <b>Bank 1</b> | 12 weeks paid leave after 6 months’ service and up to 2 years unpaid  | 5 days unpaid                           | Yes   | Able to work part time until child is school age  |
| <b>Bank 2</b> | 12 weeks paid leave and up to 2 years unpaid  | 2 weeks paid                            | Yes   | Part time work guaranteed until child is 2 and able to work part time until child is school age |
| <b>Bank 3</b> | 13 weeks paid leave   | 2 weeks paid                            | Yes but informal                                    | Yes   |
| <b>Bank 4</b> | 14 weeks paid plus incentive equal to 34% of salary 2/3 paid when going on leave and 1/3 paid 3 months after return to work plus 12 | No                                      | Yes plus skills training on return                  | Yes   |

# PRACTICE NOTE 5.12

## THE BUSINESS CASE FOR FAMILY FRIENDLY WORK POLICIES

### SECTION 5: PERSONNEL MATTERS

ISSUE: 1 DATE: MAY 2010



Business | Engineering | Design

Driving Business Success for Consulting Firms in the Built and Natural Environment

|  |               |  |  |  |
|--|---------------|--|--|--|
|  | months unpaid |  |  |  |
|--|---------------|--|--|--|

### 5.3 Childcare, Training and Networking comparisons:

|               | Childcare centre/<br>subsidised<br>childcare | Diversity/<br>flexibility<br>training | Women's<br>networking<br>opportunities | Women's<br>development/<br>mentoring<br>program |
|---------------|--|---------------------------------------|--|---|
| <b>Bank 1</b> | Yes  | Yes                                   | No formal program                      | Yes   |
| <b>Bank 2</b> | Yes  | Yes                                   | Yes                                    | Yes as part of talent program                   |
| <b>Bank 3</b> | Yes  | Yes                                   | Yes                                    | Talent program                                  |
| <b>Bank 4</b> | Yes  | Yes                                   | No formal program                      | No  |

### 5.4 Additional Policy Comparisons:

|               | Part time work<br>policy | Job share<br>policy | Telecommuting<br>policy | Extended<br>carer's leave<br>policy   |
|---------------|--------------------------|---------------------|-------------------------|---|
| <b>Bank 1</b> | Yes                      | Yes                 | Yes                     | Unlimited access to accrued sick leave to care for immediate family members |
| <b>Bank 2</b> | Yes                      | Yes                 | Yes                     | 10 days of sick leave can be used for carer's leave                         |
| <b>Bank 3</b> | Yes                      | Yes                 | Yes                     | Yes   |
| <b>Bank 4</b> | Yes                      | Yes                 | Yes                     | Yes   |

# PRACTICE NOTE 5.12

## THE BUSINESS CASE FOR FAMILY FRIENDLY WORK POLICIES

### SECTION 5: PERSONNEL MATTERS

ISSUE: 1 DATE: MAY 2010

In addition to the above, the following initiatives are common across the banking industry:

- Salary sacrificed annual leave top-ups;
- Career breaks;
- Family friendly meeting time policies (no meetings before 8.30am or after 5pm);
- Gift bags for parents going on leave (male and female);
- Preferential treatment on re-application for former employees who resigned to look after preschool age children.

### 5.5 Employee Perception

While flexible work practices help to attract and retain talented women, there is still a shortage of women choosing engineering as a career even though there are more women than ever gaining university qualifications. The reasons given by women for not considering engineering careers are:

#### ***Isolation***

This is both a cause and consequence of the lack of female role models in the profession. It is a serious problem because it takes a toll on job satisfaction and engagement. Women who are not satisfied with their jobs are 22 times more likely to leave.

#### ***Gender based discrimination and harassment***

Nearly 1 in 10 women left their last job due to bullying and harassment.

#### ***Fewer opportunities and rewards than male colleagues***

Women are overwhelmingly clustered in support roles that don't provide access to profit and loss or direct client services that are widely considered essential for promotion. A reduction of interesting work and promotion due to family responsibilities and pregnancy (actual and potential).

#### ***Boys Club culture and exclusion from mentoring and social events***

The leadership circles of firms in science, engineering and technology are mainly male. In Australia, the percentage of women in executive roles across all sectors has declined to pre-2004 levels (5.9%).<sup>14</sup>

<sup>14</sup> Roberts & Ayre, 2002. The Athena Factor, Hewlett et al 2008 and *Counting the Losses...The Careers Review of Engineering Women: an investigation of women's retention in the Australian engineering workforce.*

# PRACTICE NOTE 5.12

## THE BUSINESS CASE FOR FAMILY FRIENDLY WORK POLICIES

### SECTION 5: PERSONNEL MATTERS

ISSUE: 1 DATE: MAY 2010



Business | Engineering | Design

Driving Business Success for Consulting Firms in the Built and Natural Environment

## 6. AUSTRALIA COMPARED WITH OECD

Australia and the United States of America (USA) are the only Organisation for Economic Co-operation (OECD) countries that do not currently offer paid parental leave. The following Table illustrates the range of wage replacement benefits for child related leave.

**TABLE 6 Maternity Leave in OECD Countries 1998-2002<sup>15</sup>**

| Country   | Duration of leave   | % of wage replaced | Country    | Duration of leave  | % of wage replaced    |
|-----------|---|--------------------|------------|--|-----------------------|
| Australia | 1 year parental leave   | Unpaid             | Japan      | 14 weeks paid (6 pre- and 8 post- birth) leave<br><br>Additional year of leave up to child's first birthday  | 60%<br><br>Unpaid     |
| Austria   | 16 weeks paid maternity leave<br><br>Unpaid Leave is between 30 – 36 months | 100%               | Luxembourg | 16 weeks paid maternity leave<br><br>Parental leave is 6 months full-time or 12 months - part-time or pro-rated up to child's 5th birthday<br><br>2 days/year family leave | 100%<br><br>Flat rate |
| Belgium   | 15 weeks paid maternity leave<br><br>3 months unpaid leave                  | 75-80%             | Mexico     | 12 weeks maternity (6 weeks pre-birth)   | 100%                  |

<sup>15</sup> Clearinghouse on International Developments in Child, Youth & Family Practices at Columbia University, New York.  
<http://www.childpolicyintl.org/issuebrief/issuebrief5table1.pdf>

# PRACTICE NOTE 5.12

## THE BUSINESS CASE FOR FAMILY FRIENDLY WORK POLICIES

### SECTION 5: PERSONNEL MATTERS

ISSUE: 1 DATE: MAY 2010



Business | Engineering | Design

Driving Business Success for Consulting Firms in the Built and Natural Environment

|                |   |                                       |             |   |  |
|----------------|---|---------------------------------------|-------------|---|--|
| Canada         | 17 weeks paid maternity leave<br><br>35 weeks paid parental leave<br><br>Unpaid family leave  | 55%<br><br>55%                        | Netherlands | 16 weeks maternity<br><br>+6 months parental leave per parent<br><br>2 days paternity<br><br>Family leave- 10 days/year<br><br>+ 2 days emergency leave       | 100%<br><br><br><br>Unpaid<br><br><br>Paid         |
| Czech Republic | 28 weeks maternity<br><br>37 weeks for multiple births or single mother<br><br>Parental leave until child turns 3   | 69%<br><br>Unpaid                     | New Zealand | 12 weeks paid parental leave (July 2002). May opt for parental tax credit in lieu of paid parental leave<br><br>Extended parental leave                       | Lower of 100% wages or flat-rate<br><br><br>Unpaid |
| Denmark        | 18 weeks maternity including 4 weeks pre-birth<br><br>10 weeks parental<br><br>2 weeks paternity<br><br>In addition, child-care leave up to 52 weeks for either parent up to child's 8th birthday | 90%<br><br>60%<br><br>100%<br><br>60% | Norway      | 52 weeks parental leave (or 42 weeks at 100%), including maternity<br><br>Child rearing leave up to age 2<br><br>4 weeks paternity leave, "use it or lose it" | 80%<br><br><br>Flat rate                           |

# PRACTICE NOTE 5.12

## THE BUSINESS CASE FOR FAMILY FRIENDLY WORK POLICIES

### SECTION 5: PERSONNEL MATTERS

ISSUE: 1 DATE: MAY 2010



Business | Engineering | Design

Driving Business Success for Consulting Firms in the Built and Natural Environment

|         |  |  |          |   |   |
|---------|--|--|----------|---|---|
| Finland | 18 weeks maternity<br><br>26 weeks parental<br><br>Childrearing leave of absence until child is age 3, or can opt for home-care or child care allowances (under age 7).<br>Guaranteed right to part-time work.<br><br>Paternity- 18 days | 65%<br><br><br><br><br><br><br><br><br><br>Flat rate | Poland   | 16 weeks maternity leave for first child; 18 for subsequent births; 26 weeks for multiple births;<br><br>Additional 24 month leave, 36 months for single parent.<br><br>Additional 12 months for single parent  | 100%<br><br><br><br><br><br><br>Flat rate |
| France  | maternity & paternity leaves;<br><br>Flat rate, income tested.   | 100%<br><br><br>80%                                  | Portugal | 6 weeks mandated maternity leave post-birth<br><br>Additional 6-24 months parental includes adoption<br><br>5 days paternity<br><br>Up to 30 days/year family leave for children <10 and<br><br>15 days for >10<br><br>Special leave up to 4 years for sick child | 100%<br><br><br><br><br><br><br>Unpaid    |

# PRACTICE NOTE 5.12

## THE BUSINESS CASE FOR FAMILY FRIENDLY WORK POLICIES

### SECTION 5: PERSONNEL MATTERS

ISSUE: 1 DATE: MAY 2010



Business | Engineering | Design

Driving Business Success for Consulting Firms in the Built and Natural Environment

|         |   |   |        |  |                                    |
|---------|---|---|--------|--|------------------------------------|
|         |   |   |        | Right to part-time work.   |                                    |
| Germany | 14 weeks maternity including 6 weeks before birth<br><br>+ 3 years parental/child rearing leave full or part time up until child's 8th birthday | 100%<br><br>Flat rate/Income-tested for<br><br>2 years; Unpaid for 3rd year | Spain  | 16 weeks maternity; may transfer up to 10 weeks to father; 2 additional weeks maternity per child in multiple births;<br><br>Additional parental leave until child is 3.<br><br>2 days paternity leave   | 100%<br><br>Unpaid<br><br>100%     |
| Greece  | 17 weeks maternity;<br><br>3.5 months parental leave for each parent  | 50%<br><br>unpaid   | Sweden | Full parental leave until child is 18 months, includes adoption<br><br>+3 months<br><br>+3 months<br><br>Maternity leave may begin 60 days prior to expected delivery and 6 weeks after birth.<br><br>Parental leave can be used full- or part-time until child's 8th birthday. Additional 6 | 80%<br><br>Flat rate<br><br>Unpaid |

# PRACTICE NOTE 5.12

## THE BUSINESS CASE FOR FAMILY FRIENDLY WORK POLICIES

### SECTION 5: PERSONNEL MATTERS

ISSUE: 1 DATE: MAY 2010



Business | Engineering | Design

Driving Business Success for Consulting Firms in the Built and Natural Environment

|         |  |  |             |   |  |
|---------|--|--|-------------|---|--|
|         |  |  |             | months for each child if multiple births.   |  |
| Hungary | 24 weeks maternity<br><br>Childrearing leave up to child's 3rd birthday  | 70%<br><br>Flat rate/<br>Income tested | Switzerland | 16 weeks maternity<br><br>Right to part-time work until child is 8  | varies by Canton   |
| Iceland | 3 months each for mother and father and one parent can take an additional 3 months for 9 months parental leave in all The 9-month leave may spread over the first 18 months after birth. | 80%                                    | Turkey      | 12 weeks maternity  | 66.6.%   |
| Ireland | 18 weeks maternity including up to 4 weeks before birth<br><br>14 weeks parental leave<br><br>Maternity & parental leave cover adoption;<br><br>3 days paid family or emergency leave    | 70%<br><br>Unpaid                      | UK          | 18 weeks Ordinary Maternity Leave (up to 11 weeks prior birth), includes adoption<br><br>Additional Maternity Leave of 11 weeks for women who've completed 1 year service with employer.<br><br>13 weeks parental leave | 6 weeks at 90%<br><br>12 weeks at flat rate varies by employment |

# PRACTICE NOTE 5.12

## THE BUSINESS CASE FOR FAMILY FRIENDLY WORK POLICIES

### SECTION 5: PERSONNEL MATTERS

ISSUE: 1 DATE: MAY 2010



Business | Engineering | Design

Driving Business Success for Consulting Firms in the Built and Natural Environment

|       |  |                            |     |  |                         |
|-------|--|----------------------------|-----|--|-------------------------|
|       |  |                            |     | up to child's 5 <sup>th</sup> birthday<br><br>18 weeks parental leave for disabled child up to child's 18th birthday | Unpaid<br><br>Flat rate |
| Italy | 5 months maternity including 1 month pre-birth;<br><br>Additional 10 months parental leave, 20 months for multiple births<br>Fathers applying for 3 month leave will be granted extra month. Unused parental leave can be taken until the child's 9th birthday.<br><br>Family (sick) leave-5 days/year for children 3-8 yrs old. | 80%<br><br>30%<br><br>Paid | USA | 12 weeks family leave, includes maternity  | Unpaid                  |

\*note: percentages refer only to maternity portion of parental leave, many countries offer a combination of maternity and parental/paternity leave

# PRACTICE NOTE 5.12

## THE BUSINESS CASE FOR FAMILY FRIENDLY WORK POLICIES

### SECTION 5: PERSONNEL MATTERS

ISSUE: 1 DATE: MAY 2010

## 6.1 Public Policy Status

The Productivity Commission recommended to Government on 29 September 2008 that a universal taxpayer funded scheme paying up to 20 weeks' parental leave (18 weeks' maternity leave and 2 weeks paternity leave), at the minimum wage, be implemented in Australia.

The paper included a recommendation that the employer continue to pay the Superannuation Guarantee Contribution entitlements of the employee on leave.

## 7. COST/BENEFIT ANALYSIS

Most commonly, when an employer considers funding a paid parental leave scheme the costs that are considered include;

- The cost of providing paid parental leave for the duration of the scheme;
- The cost of temporary labour hire for the duration of the scheme to replace the employee;
- The cost of leaving the position empty for the duration of the scheme or getting other departmental employees to cover the position.<sup>16</sup>

These costs are highly visible to employers but often do not reflect the benefits of retaining professionally qualified staff. Many employers neglect to consider all costs associated with the loss of professional staff. A useful tool to measure both the direct and indirect costs associated with maternity leave is to estimate staff turnover costs.

Staff turnover costs provide an in-depth analysis of all costs associated with a staff member's departure. Although turnover costs vary between organisations and positions, they can be quite substantial. Conservative estimates of turnover costs range from 50 per cent of an employee's annual salary to well over 100 per cent for professional staff. The cost of losing talented staff can therefore reach far and deep into an organisation.

These estimates may seem rather crude, however in addition to the direct costs (separation and recruitment costs) indirect costs such as lost business costs, lost training costs and lost productivity costs need to be

---

<sup>16</sup> From January 2010 the National Employment Standards (NES) provides unpaid parental leave including birth-related leave and adoption-related leave. New parents can each take a maximum of 12 months of unpaid leave. Generally, parental leave can only be taken by one parent at a time and in a single continuous period.

There is an option to request to extend one parent's leave to a maximum of 24 months, reduced by the amount of any leave taken by their partner: <http://www.fairwork.gov.au/Pay-leave-and-conditions/Leave-and-public-holidays/Pages/Parental-leave.aspx>

# PRACTICE NOTE 5.12

## THE BUSINESS CASE FOR FAMILY FRIENDLY WORK POLICIES

### SECTION 5: PERSONNEL MATTERS

ISSUE: 1 DATE: MAY 2010

factored in. Often the indirect costs of turnover are many times higher than the more easily measured direct costs of losing a staff member.

When these costs become visible to employers potentially additional cost of an employee leaving can be revealed. When experienced members of staff leave, the costs can really start to add up and under the current labour market conditions, a firm can little afford to lose qualified staff. Despite the current economic climate, it is unlikely that the shortage of qualified engineers will ease substantially.

Exploring the benefits of paid parental leave is no easy task and subject to much conjecture. Therefore Consult Australia has investigated the costs of providing paid parental leave for an employee against staff turnover costs for the same employee in three scenarios.

Throughout the three scenarios the female employee is considered to have 8 years experience and the employee's wages, salaries and on costs total \$89,000 per year (\$1,711 per week or \$42 per hour based on 40 hours per week).

The assumptions for the three scenarios are as follows:

#### ***Scenario one***

- No paid maternity leave scheme in place and the employer loses the employee. Note: The employee resigning due to no paid maternity leave is only one possible outcome; this will not be the outcome in all cases.

#### ***Scenario two***

- The employer retains the employee through a paid maternity leave scheme which offers 12 weeks pay at 75 per cent of full time wages and salaries (\$1283 per week).
- A Temporary member of staff (temporary labour hire) is employed for 12 weeks at \$2500 per week.

#### ***Scenario three***

- The Government funds a paid maternity leave scheme for all female employees at the minimum federal weekly wage (\$543 per week) for 12 weeks;
- The employer "tops up" the federal award rate 17 to 75 per cent of full time wages for 12 weeks (\$1283 - \$543 = \$740).
- A Temporary member of staff (temporary labour hire) is employed for 12 weeks at \$2500 per week.

<sup>17</sup> The current minimum award rate is \$543 per week.

# PRACTICE NOTE 5.12

## THE BUSINESS CASE FOR FAMILY FRIENDLY WORK POLICIES

### SECTION 5: PERSONNEL MATTERS

ISSUE: 1 DATE: MAY 2010

## 8. RESULTS

### *Scenario one*

Under scenario one, without a paid maternity leave scheme in place the employee is lost. As a result the turnover costs associated with losing the employee are estimated to be just over 60 per cent of the employee's annual salary or \$57,649. The turnover costs comprise of:

- Separation costs \$20,969
- Replacement costs \$15,298
- Training costs \$3,840
- Lost productivity costs \$17,542

### *Scenario two*

Under scenario two, the employer contributes up to 75 per cent for the employee's full time weekly salary; the total estimated cost of a paid maternity leave is \$15,609. This estimate includes not only the direct costs of the scheme but also costs associated with implementation. The temporary labour hire costs for 12 weeks and associated productivity losses in this scenario are estimated to be \$34,734. The combination of both estimates is then said to be \$50,343.

### *Scenario three*

In scenario three the temporary labour hire and associated costs are assumed to remain the same at \$34,734. However, the cost of providing the paid maternity leave scheme is reduced by \$543 per week. Under the Government/employer co-contribution scheme the cost to the employer is reduced by \$6,516 to \$9,093. This brings the total costs under a co-contribution scheme, including temporary labour hire to \$43,827.

# PRACTICE NOTE 5.12

## THE BUSINESS CASE FOR FAMILY FRIENDLY WORK POLICIES

### SECTION 5: PERSONNEL MATTERS

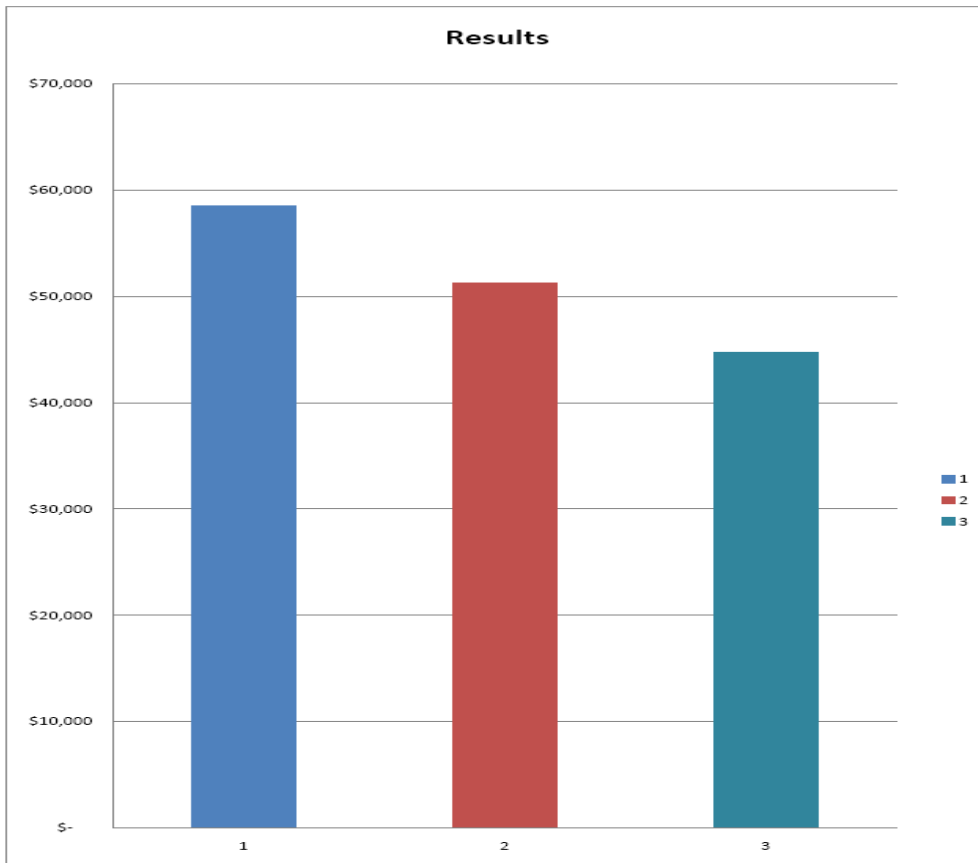
ISSUE: 1 DATE: MAY 2010



Business | Engineering | Design

Driving Business Success for Consulting Firms in the Built and Natural Environment

**FIGURE 1 Results of Modelling Analysis**



The three bar graphs represent the total estimated costs under each scenario. In Figure 1, bar 1 shows scenario one turnover costs associated with a staff member departing exceed \$58,549 or just over 60 per cent of the employee's annual salary. This is by far the most expensive option.

For an employer who does not offer paid maternity leave and loses the employee, the turnover costs exceed the costs associated with providing paid maternity leave and temporary labour hire under both scenarios two and three.

The second scenario represented by bar 2, shows the total cost associated with providing a paid maternity leave scheme and temporary labour hire to be \$51,243 some \$7,306 less than the turnover costs in scenario one.

Bar 3 represents scenario three and is by far the least costly of all three options. If the Government was to fund an Australia wide scheme at the minimum federal weekly wage for all women (as recommended by the Productivity Commission) and the employer was to top up the wages to 75 per cent of full time weekly earnings, the turnover costs would exceed paid maternity leave and labour hire costs by \$13,822.

# PRACTICE NOTE 5.12

## THE BUSINESS CASE FOR FAMILY FRIENDLY WORK POLICIES

### SECTION 5: PERSONNEL MATTERS

ISSUE: 1 DATE: MAY 2010

## 9. OTHER SUPPORTING INITIATIVES

Most companies with parental leave policies offer a range of flexible practices.

- the companies who responded to the 2005 EOWA Survey reported that the provision of flexible or part-time working arrangements have improved the retention of women
- 26% of women employees who were eligible for unpaid maternity leave (and had been with their employer for 12 months or more) reported the main reason for not using unpaid leave was that they permanently left their employer, no hard figures could be found specifically for the engineering sector<sup>18</sup>
- Flexible work practices require an organisation to be innovative in its approaches to the structuring of roles traditionally filled on a full-time basis, particularly for management roles as the majority of existing part-time roles are in administrative or support capacity.
- The most common benefits of flexible practices cited by organisations surveyed by EOWA were good staff relations, higher morale and job satisfaction, and retention of staff

## 10. MEMBER FIRM FEEDBACK

Responses to our informal survey of Consult Australia's members indicate the following broad themes:

Approaches to parental leave and flexible work arrangements vary from informal, case by case approaches through to 12 weeks paid parental leave, mentoring programs for women and training and retention programs targeted at women.

There is a positive correlation between parental leave/flexible working arrangements and staff engagement, retention of women and staff turnover.

Case studies indicate that firms employing best practice parental leave and flexible working arrangements are more likely to be considered employers of choice by women and therefore are more successful in attracting experienced female engineers in the employment market than firms without the relevant policies.

In August 2008, The Australian Human Resources Institute (AHRI) reported on the results of McNab Constructions. The firm introduced paid parental leave in 2006. In addition, they worked hard to create an environment where parents are able to bring their kids into the office environment, where no one is frowned upon when requesting leave for family reasons, and everyone has Blackberries, wireless connection and laptops to stay in touch while at home. McNab believe their family-friendly culture is a successful attraction and retention strategy which has helped them in a tight labour market.

More so, there is anecdotal feedback from Consult Australia's members that firms with best practice parental leave and flexible work policies are successful in attracting female staff *away from* firms without the relevant

<sup>18</sup> Australian Bureau of Statistics, Australian Social Trends 2006, catalogue no. 4102  
<http://www.abs.gov.au/AUSSTATS/abs@.nsf/ProductsbyCatalogue/0F7E1ADC77B6BB66CA25732C00206FBF?OpenDocument>

# PRACTICE NOTE 5.12

## THE BUSINESS CASE FOR FAMILY FRIENDLY WORK POLICIES

### SECTION 5: PERSONNEL MATTERS

ISSUE: 1 DATE: MAY 2010

policies. This is not due to proactive “poaching” but rather because female staff are dissatisfied with the culture and policies of firms that do not have flexible work arrangements and best practice parental leave policies, and who want to stay in the profession, seek out firms which offer those benefits.

#### **11. CONCLUSION**

Across Consult Australia’s membership there is varying support for paid parental leave. The debate on who should fund a paid parental leave scheme ranges from the Government, employees, employers through to a combination of all three. This debate is likely to continue for some time but the question remains, is paid parental leave a social, ethical or business decision – or does it cover all three?

As the three cost/benefit scenarios have highlighted, it is beneficial to consider the indirect costs *and* the financial costs associated with paid parental leave to gain a greater perspective of the total and real costs associated with recruitment and retention in this area. Scenario one (no paid leave scheme in place) highlights that turnover costs total \$54,049 which is more expensive for the employer in real terms (\$9,706 more expensive than scenario two and \$16,222 more expensive than scenario three).

With an upcoming tax payer funded paid parental leave scheme set to commence at 1 January 2011, Consult Australia’s member firms have an opportunity to begin planning how they can best use the scheme to align with their retention strategies.

Considering the array of issues scoped within this paper, paid parental leave can be considered a cost effective means of retaining skilled female staff. In addition, the research included within this Practice Note suggests that there are also other benefits of paid parental leave which are harder to measure, such as improving organisational efficiency, increasing job satisfaction and increasing employee productivity.

# PRACTICE NOTE 5.12

## THE BUSINESS CASE FOR FAMILY FRIENDLY WORK POLICIES

### SECTION 5: PERSONNEL MATTERS

ISSUE: 1 DATE: MAY 2010



Business | Engineering | Design

Driving Business Success for Consulting Firms in the Built and Natural Environment

#### Appendix 1

#### Calculation of Turnover Costs

##### Separation costs

|   |                                      |    |                  |
|---|--------------------------------------|----|------------------|
| Employee(s) filling-in while the position is vacant |                                      | \$ | -                |
| Lost productivity of fill-in employee               |                                      | \$ | -                |
| Conducting an exit interview                        | Not required leaving for child birth | \$ | -                |
| Severance and benefits continuation                 | Pays out 2 weeks holidays \$1711     | \$ | 3,423.00         |
| Lost knowledge, skills and contacts                 | 15% of annual salary rate            | \$ | 13,350.00        |
| Separation administrative functions                 | 4 hours at \$42                      | \$ | 168.00           |
| Minus the savings in salary for departing employee  | 2 weeks @ \$1711                     | \$ | 3,422.00         |
| Training company provided to departing employee     | \$3000 per year                      | \$ | 3,000.00         |
| Lost departmental productivity                      | 5% of salary                         | \$ | 4,450.00         |
| <b>Total separation costs</b>                       |                                      | \$ | <b>20,969.00</b> |

##### Replacement costs

|                                   |   |    |                  |
|-----------------------------------|---|----|------------------|
| Agency Fee                        | 15% of salary                                     | \$ | 13,350.00        |
| Internal Recruiter                |   | \$ | -                |
| Recruiter's assistant             |   | \$ | -                |
| Hiring department                 |   | \$ | -                |
| Handling resumes                  |   | \$ | -                |
| Candidates interviews             | 10 candidates/2 hours each/2 interviewees at \$42 | \$ | 1,680.00         |
| Medical, reference checks         |   | \$ | 100.00           |
| Pre-employment tests              |   | \$ | -                |
| Travel, relocation expenses       |   | \$ | -                |
| Start-up administrative functions | 4 hours @ 42                                      | \$ | 168.00           |
| <b>Total replacement costs</b>    |   | \$ | <b>15,298.00</b> |

##### Training costs

|                                      |                  |    |                 |
|--------------------------------------|------------------|----|-----------------|
| Departmental training costs          | \$3000 per year  | \$ | 3,000.00        |
| Trainer                              | 20 hours at \$42 | \$ | 840.00          |
| Training materials, manual computers |                  | \$ | -               |
| Supervision                          |                  | \$ | -               |
| <b>Total training costs</b>          |                  | \$ | <b>3,840.00</b> |

##### Lost productivity costs

|  |   |    |                  |
|--|---|----|------------------|
| Lost Productivity @ 25% productivity rate      | first 2 weeks .75 ie \$1283 @ 2 weeks   | \$ | 2,566.00         |
| Lost Productivity @ 50% productivity rate      | 2nd week to 6th ie \$855.76 @ 4 weeks   | \$ | 3,420.00         |
| Lost Productivity @ 75% productivity rate      | 6th to 14th week ie \$427.75 @ 6 weeks<br>ie 14 weeks 5 % of managers time @ \$1711 | \$ | 2,566.50         |
| Co-workers lost productivity                   |   | \$ | 1,197.80         |
| Mistakes of new employee                       |   | \$ | -                |
| Lost department productivity                   | 12.5 % for 14 weeks   | \$ | 2,994.25         |
| Impact on the completion of a critical project |   | \$ | -                |
| Reduced productivity of a manager or director  | 5% for 14 weeks   | \$ | 1,197.70         |
| Lost productivity of temp                      | Assuming 85% efficient for 12 weeks   | \$ | 4,500.00         |
| <b>Total lost productivity costs</b>           |   | \$ | <b>18,442.25</b> |

|   |  |    |                  |
|---|--|----|------------------|
| <b>Total turnover cost for employee</b> |  | \$ | <b>58,549.25</b> |
|---|--|----|------------------|

# PRACTICE NOTE 5.12

## THE BUSINESS CASE FOR FAMILY FRIENDLY WORK POLICIES

### SECTION 5: PERSONNEL MATTERS

ISSUE: 1 DATE: MAY 2010



Business | Engineering | Design

Driving Business Success for Consulting Firms in the Built and Natural Environment

#### Appendix Two

##### Costs Temporary Labour Hire & Paid Maternity Leave

|   |  |           |                  |
|---|--|-----------|------------------|
| <b>Cost of temporary labour</b>                     |  |           |                  |
| Cost of temporary labour                            | \$2500 @ 12 weeks                              | \$        | 30,000.00        |
|   | Assuming 85% efficient for 12 weeks            |           |                  |
| Lost productivity of temp                           |  | \$        | 4,500.00         |
| Managers time with temp                             | 2 hours @ \$42 for 12 weeks                    | \$        | 504.00           |
| <br>  |  |           |                  |
| Cost associated of hiring temp                      | 10 hours @ \$42                                | \$        | 420.00           |
| Cost associated with starting temp                  | 5 hours @ 42                                   | \$        | 210.00           |
| <b>Total cost of temporary labour</b>               |  | <b>\$</b> | <b>35,634.00</b> |
| <br>  |  |           |                  |
| <b>Cost of paid maternity leave</b>                 |  |           |                  |
| Cost of paid maternity leave scheme                 | 75% of employees salary for 12 weeks \$1283.25 | \$        | 15,399.00        |
| Costs associated with paid maternity leave          | 5 hours @ \$42                                 | \$        | 210.00           |
| <br>  |  |           |                  |
| <b>Cost of paid maternity leave</b>                 |  | <b>\$</b> | <b>15,609.00</b> |
| <br>  |  |           |                  |
| <b>Total cost of providing paid maternity leave</b> |  | <b>\$</b> | <b>51,243.00</b> |

# PRACTICE NOTE 5.12

## THE BUSINESS CASE FOR FAMILY FRIENDLY WORK POLICIES

### SECTION 5: PERSONNEL MATTERS

ISSUE: 1 DATE: MAY 2010



Business | Engineering | Design

Driving Business Success for Consulting Firms in the Built and Natural Environment

#### Appendix 3

##### Co-contribution Paid Maternity Leave

###### Cost of temporary labour

|                                       |                                     |           |                  |
|---------------------------------------|-------------------------------------|-----------|------------------|
| Cost of temporary labour              | \$2500 @ 12 weeks                   | \$        | 30,000.00        |
| Lost productivity of temp             | Assuming 85% efficient for 12 weeks | \$        | 4,500.00         |
| Managers time with temp               | 2 hours @ \$42 for 12 weeks         | \$        | 504.00           |
| Cost associated of hiring temp        | 10 hours @ \$42                     | \$        | 420.00           |
| Cost associated with starting temp    | 5 hours @ 42                        | \$        | 210.00           |
| <b>Total cost of temporary labour</b> |                                     | <b>\$</b> | <b>35,634.00</b> |

###### Cost of paid maternity leave co Contribution

|   |  |           |                  |
|---|--|-----------|------------------|
| Cost of paid maternity leave scheme                         | 75% of employees salary for 12 weeks \$1283.25 | \$        | 15,399.00        |
| Less government contribution                                | \$543 for 12 weeks                             | -\$       | 6,516.00         |
| Costs associated with paid maternity leave                  | 5 hours @ \$42                                 | \$        | 210.00           |
| <b>Cost of paid maternity leave co Contribution</b>         |  | <b>\$</b> | <b>9,093.00</b>  |
| <b>Total costs of providing paid maternity leave scheme</b> |  | <b>\$</b> | <b>44,727.00</b> |