Session III
Paper (a ii)

ABSENTEEISM, ACCIDENTS AND TURNOVER - THE HIDDEN COST OF LABOUR

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Introduction

While the area of labour costing just covered by Michael Duggan is reasonably straight forward, the cost of absenteeism, accidents and turnover is less well defined. Several problems are associated with establishing the cost of these aspects of labour management:

- The level of each , ie how much turnover occurs each year in a six man logging gang.

- The direct cost,paying the logger while he is off for the first week of an accident.

- The indirect cost, what is the effect on production in a small unit of one worker being off sick or injured for a week.

There are also other direct costs, such as ACC levies, which have already been covered.

Logging contracts are typically costed on 235 work days with an allowance made to cater for sick leave and wet days. Little consideration is normally given to other reasons for a worker not being available for the full time, mainly because of a lack of information.

Recent research has concentrated on redressing the lack of information available on levels of absenteeism, accidents and turnover. We are now, for example, have a better knowledge of likely levels of turnover amongst loggers. However, we have less knowledge of the levels of absenteeism, and our accident information is not as complete as is desirable. Most of the information on accidents comes from the Accident Reporting Scheme which suffers from the normal problems associated with a voluntary scheme.

While we are trying to improve our knowledge of the "levels" of these three aspects, our understanding of the cost of them is not as clear.

This paper addresses the direct costs of the three aspects and makes some hypothetical comments about the potential indirect costs.

Absenteeism

This area is the one where least is known. The types of absenteeism that a logging crew is subjected to are many:

- Sickness, up to 5 days per year after the first 6 months of sevice.

- A day off to look after children in the case of the wife being ill.

- "Sick leave" as a result of a hard night.

- Absence to undertake business.

- Absence due to Force Majeure for example windthrow, earthquakes, cylones, rain, etc.

Preliminary research into the levels of, and reasons for absenteeism have indicated approximately 7% per annum. If this level of absenteeism is used for costing purposes it means that instead of 235 work days, there are actually only 219. It is difficult to determine an acurate cost of absenteeism due to the different approaches contractors have towards paying a worker who is absent.

Similarly, it is very difficult to estimate the cost of absenteeism in terms of lost production. Most crews can operate for a couple of days with one man short without unduely affecting daily productivity.

Accidents

Accidents are possibly the most expensive hidden cost of labour. As well as ACC levies, the contractor also must pay the first 5 days wages where the accident is 5 days or more. As an example of the potential cost to the contractor of an accident which would be termed "minor", I will quote from a case study presented by Horgan (1984) to the LIRA seminar "Human Resources in Logging".

"The accident occurred when a tree was felled by one worker onto another, hitting the latter across the back and shoulders. The following action was taken:

- The gang stopped work for half an hour to assist the injured worker. The supervisor called a company ambulance which with a doctor took the injured man to hospital where he was x-rayed and discharged (he returned to work one week later).

- The company logging manager and a supervisor visited the site of the accident and made enquiries which involved two witnesses and the gang supervisor for one hour.

- The logging supervisor took a Labour Dept. bush inspector to the site. The Labour Dept. prepared a report.

- Later a general meeting was called for all bush workers, contractors, and staff to discuss the circumstances and causes of the accident.

- Union delegates and the person who caused the accident had a meeting.

- Company staff prepared an accident report."

In todays (April,1988) terms the cost of this accident was calculated to be $2700, with $2460 of that cost being borne by the employer, ie. the contractor.

There can obviously be considerable debate with regard to this cost, however, based on the cost of five days wages this accident would have cost the contractor at least $600.

Another example of the direct cost of accidents is through the analysis of data collected by the Accident Reporting Scheme. A review of the accidents recorded by the scheme for the first three months of 1988 shows that the direct cost of the 43 accidents would have been $22,080. If the time lost was more than five days, the first five days are included in the above cost as the contractor is liable for them.

For thirty-one of the above accidents, there were five days or more lost time. If they are assumed to be representative of the accident describe by Horgan and are costed accordingly, the cost of the 31 would be $79,260.

It should be noted that data collected by the Scheme is assessed to be approximately 50% of the accidents that actually occur.

It can be clearly seen then that accidents are a major hidden cost to employing people. There are means by which this cost can be reduced. For example the introduction of protective legwear has resulted in a major reduction in the number and severity of chainsaw cuts to the leg (Gaskin,1986). Other means are through the implementation of better techniques. Research has shown that conventional trimming techniques will inevitably result in lower back injuries (Gaskin et al, 1988, in prep.). Any technique that will reduce such injuries has major cost advantages to the contractor.

Turnover

Due to the efforts of N.Z.F.P. Forests Limited, the industry now has a much better understanding of likely levels of turnover. They have been monitoring turnover of all their logging crews for the past three years. The average turnover per year was noted at 48%, Bomford and Gaskin, 1988 (in press.). Within this report the average cost of each turnover occurrence was suggested to be $1150.

The almost 50% turnover rate suggests that in the average logging crew of 5 to 6 men, (Wilson et al,1987) you would expect 2 to 3 of them to leave each year. The cost per year would then be approximately $2900. This cost includes the cost of replacement, "training", loss of productivity, etc.

One contractor's loss may wellbe another contractor's gain. Analysis of the N.Z.F.P. Forests Limited data has shown that loggers with more than 12 months in a crew are more likely to go and work for another contractor than to leave the industry. However, those who leave in the first 12 months of service are more likely to leave the industry.

Another aspect of the analysis which is encouraging, is that loggers who are actively seeking a Loggers Certificate are much more stable than those who have no such asperations. Therefore, it could be suggested that a good way for contractors to reduce the cost of turnover would be for them to encourage new employees to obtain Loggers Certificates.

Conclusion

While there is no one instant solution to reduce the hidden costs associated with employing people it is important for employers to be aware that such costs exist and that they can be controlled to some extent.

Such cost control can be brought about in the following ways; through use of safety equipment; through the use of better techniques; and by encouraging loggers to obtain loggers certificates.

There are normally 235 work days allowed in a contract costing, it is important to both contractors and management to know exactly how many days are worked. Thus we return again to the necessity for a good record keeping system!

References

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