

THE DONINGTON REPORT



WORKPLACE ISSUES:

Does under-employment challenge an engaged workforce?

Geoff Officer, Managing Director

"While much of the recent interest has been on movements in the unemployment rate, there is considerable value in analysing other indicators, such as under-employment and hours worked, to better understand the impacts on the labour market of the economic downturn."

The Australian Bureau of Statistics – 6 August 2009

The current sociology of the workplace is undergoing a significant transition. The labour force is adjusting to the reality of diminished expectations associated with the loss of jobs, and a reduction in hours and wages which is unprecedented.

Our research observes two significant trends emerging in workplace sociology:

1. Under-employment has provided a new phenomenon in today's labour market.
2. Under-employment's impact on productivity, morale and engagement is not yet understood.

Under-employment's impact on productivity, morale and engagement

"The unexpected way employment responded to the crisis makes predictions of how it will recover problematic."

Deidre Macken, The Weekend Australian Financial Review – September 5-6, 2009

Sometime during the first quarter of this year, employers began the transition from using job shedding as a strategy for reducing labour costs, to introducing reduced hours. The last nine months have seen employers live with the consequences, intended or otherwise, of this under-employment. These decisions taken by employers earlier in the year were in no real sense negotiated ones. For those who were made under-employed there was no guarantee that they would not become unemployed at some point in the future.





Many members of the workforce have e Shorter hours, a greater workforce flexibility – w

Will under-employment reshape our approach to work?

Some commentators say that the flexibility that has allowed the various under-employment arrangements to occur marks the beginning of a new era of flexibility for the workforce.

At the other end of the spectrum, some view the emergence of this phenomenon as grounded in emotional blackmail, used by employers to exploit workers' job insecurity.

We do not share either of these views.

We believe that under-employment is, and will continue to be for the foreseeable future, the principal shaper of the social psychology of the workforce.

For industries facing decline, under-employment will have large negative impacts on morale and engagement. For sectors that are in long term growth trajectories, it may not exist in any meaningful way.

Any attempt to understand how under-employment may play out in the future must acknowledge the following realities:

1. Under-employment was a totally unforeseen outcome arising out of this downturn. So we are still coming to terms with its implications.
2. Preliminary attempts to measure under-employment show it to be of significant scale and widely dispersed. Yet there is surely an immense lack of clarity currently around the actual scale and dispersion.
3. Some sectors of the workplace have been more heavily impacted than others.
4. Because of the liquidity and solvency pressures faced by many households, under-employment is having outsized impacts. Yet these impacts are not really understood in our current environment.
5. Decisions to reduce working hours taken by employers earlier in the year were not in any real sense negotiated outcomes. They were unilateral, open ended and with no guarantee of reinstatement.
6. No previous recession has seen this phenomenon which is widespread, apparently acceptable and currently unaddressed. Previously, staff reduction and downsizing was the almost universal approach taken to cost cutting and control.
7. At this point of time, it appears that employers are slow to reinstate the hours and other conditions that were cut earlier in the year. Having said that, there is some anecdotal suggestion that many employees are enjoying these changed conditions. Perhaps the global financial crisis has introduced a new understanding of work/life balance. But what of the subsequent consequences for organisational productivity if we have a work force that is now content to work less, rather than more? Will we see a future workforce less engaged with the enterprise?

Definition of Under-employment

For every person who shows up as unemployed in the ABS statistics (or Bureau of Labor Statistics in the US) there are others who are:

1. Too discouraged to look for work
2. Working part-time who would rather have a fulltime job
3. Taking home less pay than before (pay cuts)

-Robert Reich Former Secretary of Labor in the Clinton Administration

US – Oct 09	Unemployed	10.2%
	Under-employed	7.3%
	Total	17.5%
Australia - Sept 09	Unemployed ⁽¹⁾	5.8%
	Under-employed ⁽²⁾	8.2%
	Total	14.0%

⁽¹⁾Source ABS ⁽²⁾Roy Morgan Research

Is the under-employment phenomenon the beginning of a new work revolution, or is it simply a short term outcome of the immediate responses to tighter economic circumstances?

Experienced a new way of working.

Will these create a new workforce mentality?



Consequences of under-employment are unknown

At this stage there are many things that can't be known about the impacts of under-employment. We don't know how long we will be saddled with it. We don't know what its ultimate size will be. We don't know if it will be chronic. Until answers to these questions become clearer, we won't know what the long term impacts will be on employee productivity, morale and engagement.

We do know that moving forward things will be different. The critical insight is that under-employment was a totally unforeseen phenomenon arising out of this downturn.

The power of career development and management in a 'transitioning workforce'

We recognize that there are no immediate answers to many of the challenges that were raised during the under-employment dialogue. However, there is enough data to suggest that implementing an appropriate 'career management' strategy can assist organisations to encourage individual career motivation and drive alignment with an organisation's strategic intent.

Disengaged employees can have a profound impact on productivity and customer service. Given the impacts of under-employment we can safely assume that this new phenomenon has eroded engagement amongst existing employees.

An effective career management and development approach can help you achieve the following outcomes for your employees:

- A common language for career discussion
- Improved awareness of self and others
- Enhance selection of talent and promotion
- Improved development of self and others through mutual support
- Genuine two way communication and team building
- Increased motivation through better rewards and change processes

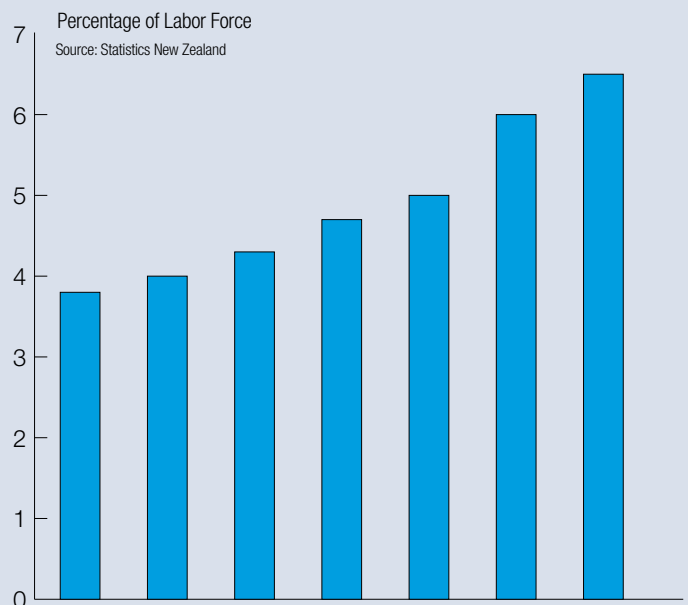
For those managers in your organisation who focus on building an effective career management and development culture, the following outcomes are likely to be achieved:

- Increased understanding of employee motivation
- Better dialogue with different co-workers
- Enhanced capacity to delegate tasks in a motivating manner
- Improvement in the quality of developmental dialogues with employees

It is our belief that adopting a focus on individual career management and improving career discussion with employees goes a long way to addressing employee morale and engagement. Performance reviews may still be challenging, but good developmental dialogue shows that you and your organisation genuinely care, and this is both constructive and motivating for the individual. In a time of great uncertainty these dialogues rebuild the basis of trust and employee commitment.

THE CURRENT STATE OF NEW ZEALAND UNEMPLOYMENT

New Zealand's unemployment rate rose to a nine-year high of 6.5% in the September quarter, from 6 per cent in the previous three months. The number of people unemployed reached its highest level in 15 years, rising 12,000 or 9 per cent during the September quarter to reach 150,000. The unemployment rate has been rising from a low of 3.5 per cent in the December 2007 quarter.





This final issue of the Donington Report for this year has captured some vital research that we have conducted on one of the unforeseen impacts of the Global Financial Crisis, the phenomenon of under-employment. Our interest in this issue stemmed from the potential, and possibly unforeseen, impacts that under-employment might have on the nature of and attitudes to work and consequently upon employee engagement and the ability of organisations to harness employee discretionary effort.

As observed in the insert to this issue, the boardroom discussion we held with the HR professionals and employment specialists, raised more questions than answers, but there was enough concern around the table to suggest that for many organisations the re-engagement of the workforce is now a high priority.

From a Donington perspective, it would be trite to offer a single solution, but there is no doubt that the organisation that takes career management and the career development of its employees seriously will certainly be able to reignite employee commitment and engagement. At the heart of good career management is the ability of the line manager and

the employee to be able to have a “developmental” dialogue that is both meaningful and productive. So often these career discussions are tacked on to the end of a performance review that has, rightly, been focused on employee outcomes and the attainment of organisation goals. Bonuses may be attached to the attainment of these goals, but career motivation and employee satisfaction is driven by the alignment of career drivers and motivation with being in the “right” job and a “sense that my career is leading somewhere”. Employees want to have those discussions, and managers often don’t know how to respond (or cannot) to that inevitable question: what is next for my career?

As part of our ongoing commitment to supporting organisations improve the quality of career management and career development, we are bringing to Australia and New Zealand a unique European career model and methodology that will help the line manager and employees to build effective team and individual career development. For the organisation, this career model and methodology will enable the development of a strong and identifiable career culture that will release the motivation and potential of your employees to increase their satisfaction and productivity. We are excited about these developments and look forward to sharing them with you in the New Year.

Geoff Officer, Managing Director



THE DONINGTON GROUP
WOULD LIKE TO TAKE THIS
OPPORTUNITY TO WISH ALL OUR CLIENTS
A VERY HAPPY CHRISTMAS AND A PROSPEROUS 2010.
WE THANK YOU FOR YOUR BUSINESS AND
LOOK FORWARD TO WORKING WITH YOU AGAIN
IN THE NEW YEAR

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