

Staff turnover in the Victorian Treasury: TEACHING NOTES

In July 2001, Laurinda Gardner, Executive Director of Strategic Management in the Victorian Department of Treasury and Finance (DTF), received a consultant's report on staff turnover. The report revealed that annual turnover was very high among DTF staff – mostly economists and accountants – and even higher among recent recruits.

Course audience

- Masters level students.
- Mid-level managers on executive programmes.

Teaching objectives

1. To enhance students' understanding of factors motivating organisational and work commitment.
2. To explore the roles and dimensions of staff attraction and retention.
3. To consider some relationships between human resources strategy and corporate strategy.

Immediate issues

1. What was causing the high level of staff turnover?
2. What could the DTF do about the situation?

Basic issues

1. How significant an issue is staff turnover for an organisation?
2. What motivates employee commitment?
3. What strategies can organisations adopt to attract and retain staff?

This teaching note was written by Professor John Alford, Australia and New Zealand School of Government. It has been prepared to support class discussion of the case 2004-6.1 and its sequel 2004-6.2. The use and circulation of teaching notes is restricted to accredited academics and other approved persons.

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Suggested student assignment

1. What was causing the high level of staff turnover in DTF?
2. What could the DTF do about staff turnover?

Responses to the suggested student assignment

What was causing the high level of staff turnover in DTF?

The staff turnover was due to a variety of factors, which can be categorised as:

- material incentives: concern about low pay in DTF by comparison with remuneration in external organisations. This was aggravated by the perception that there were limited opportunities for higher material rewards through promotion in the future.
- intrinsic rewards: although staff found a high level of intrinsic interest in their work, they were unhappy with the “relative regulation of the environment”, meaning they tended to lack some autonomy in what they did.
- social affiliation: staff appreciated the quality of their colleagues, but found the long hours interfered with work–life balance and their personal lives.
- normative purposes: staff appreciated the opportunity to be at “the centre of the action” and to have an influence on high-level government decisions, but to the extent that the work was subject to bureaucratic processes, this aspect was diminished.

What could the DTF do about staff turnover?

In the narrow sense of “how could the Department reduce the number of exits”, DTF had several possible options open to it:

- increase average pay: this option would have been very difficult, since DTF lacked control over pay levels. Attempts to increase the pay of Treasury staff would have been especially problematic in political terms, given that Treasury’s role was often one of saying no to other departments’ requests to increase their spending.
- enhance intrinsic rewards by imparting more autonomy to staff in their work: although this could have been pursued to some extent, it has to be remembered that their work involved high-level policy issues with big implications for the government as a whole. DTF analysts, who are relatively inexperienced, would need to have their judgments guided by more senior managers. This suggests that senior policy managers would need more capabilities in playing a coaching role rather than a directive role.
- establish and communicate better career paths: again, this may have alleviated the problem a little, but in a hierarchical organisation there will only be a limited number of opportunities for higher-level vacancies.

Another approach could have been to look at stepping up recruitment by addressing some of the negative perceptions of DTF held by potential recruits. However, the scope for dealing with these perceptions would have the same limitations as mentioned above

regarding the reduction of staff exits. Increasing the throughput of staff would also mean the average level of experience would drop.

Perhaps another approach may be to take the view that staff turnover is not as serious a problem as the consultants suggested – that DTF could validly see itself as a training ground for economists and government accountants, which in the long run has the benefits of:

- these staff becoming friendly contacts in the wider governmental and business community, thereby enhancing DTF's capacity to gather information and influence outcomes.
- being able to attract better staff at higher levels in the future, from the pool of ex-trainees.

This approach would entail a strategy of seeking to facilitate and enhance young graduates' experience of working with DTF, so that they leave it having a positive regard for the organisation and for the type of work it does.