Increased worker flexibility not always a good thing

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Companies trying to improve efficiency by building more flexibility into their workforce could end up too lean and drive costs up, says a new paper co-published by the University of Toronto's Rotman School of Management.

"Flexibility is good, but too much of it is dangerous," says Oded Berman, who holds the Sydney C. Cooper Chair in Business and Technology and is a professor of operations management at the Rotman School. Prof. Berman co-authored the study with the University of Rochester's Edieal Pinker and University of Rochester graduate student, Hsiao-Hui Lee.

Workforce flexibility is supposed to improve the match between an organization's labour resources and the work required. Using a theoretical staffing model under different demand conditions, the study examined the impact of several forms of worker flexibility, including workers with a multiple skill-set, variable start times, part-timers and workers switching from one job to another within a shift.

While most forms of flexibility helped reduced costs under normal demand, the study found higher levels of flexibility meant insufficient staff to respond to unexpected demand shocks, leading to higher inventory costs. Variable start times created the most robust flexibility, while part-time workers and job-switching within a shift were not as robust.

"The rule of thumb we've suggested is, have flexibility - and use it -- but set your workforce size assuming you don't have it," says Prof. Pinker.

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