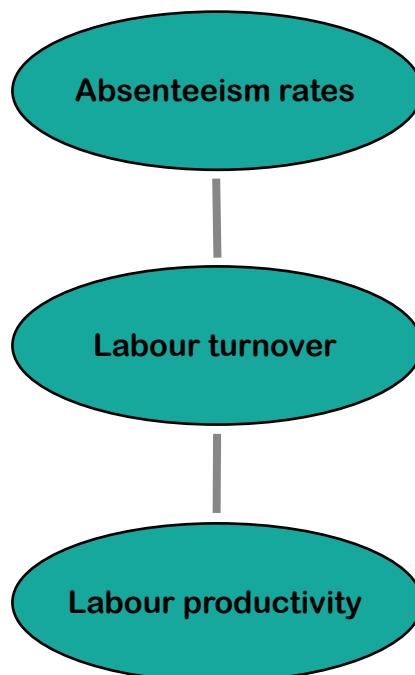


Workforce performance

It is important for a business to measure the effectiveness of its workforce. When managers examine workforce performance they are examining the effectiveness of human resource management (HRM) policies. Some elements of workforce performance cannot be directly measured – such as motivation and commitment. However, there are a number of ways of more precisely measuring the effectiveness of HRM policies and workforce performance. The most popular of these are:



Absenteeism rates

Absence from the workforce can occur for a wide variety of reasons. Whatever the reason it is a problem for businesses of all sizes and it needs to be carefully monitored. If an employee misses 13 working days out of 253 working days in a year, the absenteeism rate for that individual would be over 5%. To calculate a business's absenteeism rates take the total number of workers (say 300 workers) and multiply by the number of working days in a year (this varies from job to job, but is typically 253 days per year) – this gives the total number of working days as 75,900. If there was a total of 980 sick days taken in the year, the business's absenteeism rate would be 1.29%. A high level of absenteeism may be an indicator of dissatisfaction and demotivation in the workplace. Whatever the reason, a business needs to address the issue as the impact of absenteeism is never positive. Absenteeism also increases costs for a business and may impact on the performance of the business, such as missed phone calls or poor quality service.

Formula:

$$\frac{\text{Total number of staff absence days over a year}}{\text{Total number of working days that should have been worked}} \times 100$$

Approximately 40 million days are lost each year in the UK due to workplace absenteeism. A total of 93% of employees say that colds and flu are the reason for being away from work. However, research indicates that in reality at least half of all workplace absence has absolutely nothing whatsoever to do with health. In fact workers may decide to stay away from the office for a variety of work, personal or domestic issues. These include bullying in the workplace, responsibility for children or elderly relatives, job demotivation, low pay and the occasional hangover.

Labour turnover

This is a measure of the rate at which employees are leaving an organisation. Some businesses will have a naturally high level of staff turnover – these might include direct sales organisations and fast-food outlets, where staff turnover might be as high as 60% per annum. In other types of businesses staff turnover is much lower; for example, banks generally experience an annual staff turnover of around 5%.

The percentage staff turnover can be measured by dividing the number of leavers by the average number of full-time employees over a given period.

Formula:

$$\frac{\text{Number of staff leaving}}{\text{Average number of staff employed}} \times 100$$

A business has 11,000 staff of whom 550 leave in one year. What is the rate of staff turnover?

$$\frac{550}{11,000} \text{ times } \frac{100}{1} = 5\%$$

A refinement of this measure would be to examine staff turnover among core workers: i.e. those who are regarded as critical to the success of the company. The same formula as above would be used, but now we only measure turnover in a specific group. The advantage of this method is that it focuses on the important members of staff, whilst examining turnover in the whole organisation might be a less meaningful exercise.

The 'call centre' industry is one of the worst for both staff turnover and absenteeism, with a staff turnover rate of 25% and an absenteeism rate of 35% (one in three days missed from

work compared to a national average of 3%.

Labour productivity

Productivity is a measurement of the efficiency with which a business turns production inputs into output. Labour productivity is the most common measure – output per worker. It is a very important measure because of the impact on labour costs per unit produced. Higher productivity means lower labour costs and, as a result, greater competitiveness. For example, the automobile industry measures the output of cars per worker per year. If HRM policies are working, productivity should improve; assuming that capital investment is on par with competitors, productivity should be as good as, or better than, competitors.

Formula:

$$\frac{\text{Total output per period of time}}{\text{Average number of employees per period of time}}$$

Discussion themes

What is the difference between labour turnover and labour productivity?

How could a business reduce a high absenteeism rate?

'A business should always be concerned if it has a high absenteeism and labour turnover rate.' Discuss this statement.