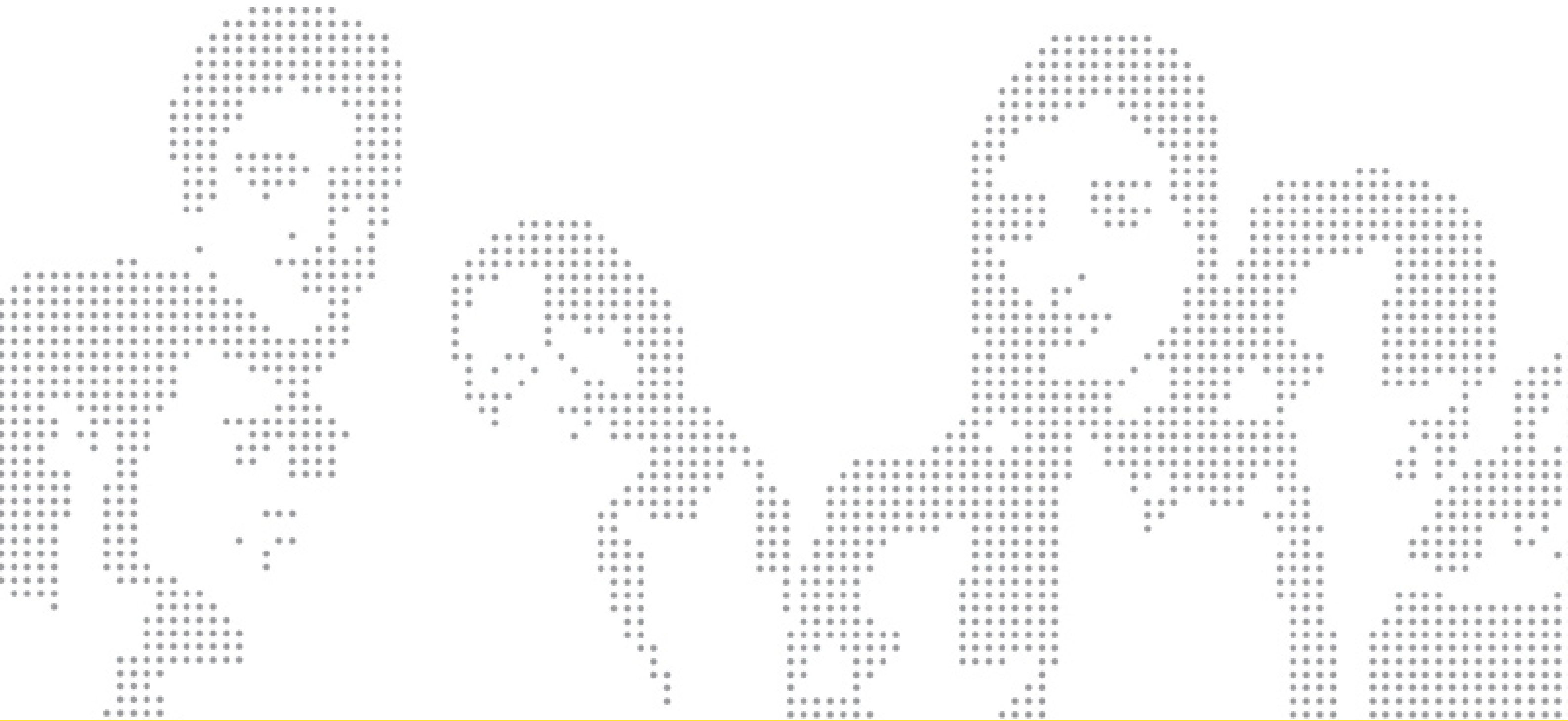

Stanley Workforce Management

Utilising human capital information for improved resource management and profitability

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Contents

Introduction

The recent crisis in our financial markets has again reminded us that we are all at the mercy of the global economy, an integrated market full of opportunity, competition and constant change, but one in which only the most responsive and adaptable organisations will now prosper.

The economic downturn means that every day chief executives face difficult decisions about how to run their businesses. They are forced into adopting business models which are critical to remain focused on cost reduction, maximum productivity and operational effectiveness and efficiencies and they need the very latest real time data tools to aid their decision-making processes.

This paper examines the role of workforce management, which encompasses all the responsibilities for maintaining a productive and happy workforce, and why this is so important to the success and profitability of a business. It explains that when it comes to forecasting, scheduling, staffing and managing, the key to improved business performance lies in accurate workforce data and detailed analytics.

Whilst addressing some very current and specific HR challenges, it places them in the context of broader management strategies to demonstrate that workforce management is not simply an HR issue. It examines how in these troubled economic times, better human capital information can improve profitability, reduce costs and deliver significant returns on investment that impacts company-wide.

Know Your People

It's a well-worn cliché but still fundamentally true that a business's most important asset is its workforce, however organisations can only get the maximum value from employees if they are present, satisfied and working the full amount of time for which they are scheduled and being paid. Being able to understand and adapt to key workforce performance challenges is what distinguishes successful companies from their competitors.

IBM's latest Global Human Capital Study 2008 suggests that what are too often missing from these strategic conversations are the "analytics needed to develop insight and formulate business cases for investment."

"400 of the top organisations in 40 countries agree that better human capital information improved resource management and profitability."

The IBM Global Human Capital Study 2008

Its research highlights a lack of systems integration, an inability to extract data and a dearth of clearly defined metrics. "Not only are organisations finding it difficult to link human capital information with data from Sales, Finance and other related departments, but they are often unable to share applications used within HR itself."

It's therefore imperative that the HR function engages with the broader organisation's business direction and develops a new strategic relationship with the overall business. Workforce management is clearly not just an HR issue; it affects otherdepartments and can have a benefit to many different job functions, providing genuine return on investment in the following way:

- Chief Executive Officer – improve business competitiveness, increase profitability, reduce costs and maximise shareholder value
- Chief Finance Officer – increase operating profit, provide efficient business processes, increase revenue and profitability
- Head of IT – improved reporting, standardised systems, improved data management
- Chief Operating Officer – optimised labour costs, improved operational planning, match resources to demand, improved operational efficiencies and profitability.

"90% of HR personnel's job has always been about obtaining the data rather than analysing it."

The IBM Global Human Capital Study 2008

Those companies that can successfully leverage human capital information do more than just focus on developing data standards and connecting systems, they provide key metrics that can improve productivity and performance and translate human capital data into executable business strategy.

Let us therefore consider the need for accurate workforce data and analytics in the context of three of the biggest challenges facing the HR function; absenteeism and staff churn, the former being very often the precursor to the latter, and the move towards flexible working.

Absenteeism

The most recent CIPD Annual Survey Report confirmed that employee absenteeism is considered to be a significant cost by 90% of all businesses, with some 8 working days per year lost for every member of staff at an average cost to business of £666 per employee. However, fewer than half of all employers actually monitor the cost of absenteeism and only half have actually set a target for reducing it.

"On average, absenteeism will cost your business £666 per employee per year."

CIPD Annual Survey Report 2008

Employee absence can take many forms; illness, holiday, maternity and paternity leave and even persistent lateness or leaving early, but taken collectively, whether scheduled or unscheduled, all absences have a strong detrimental effect on an organisation, to an estimated tune of 15% of total payroll. The indirect cost of absenteeism, including replacement with temporary staff, overtime, lost production, etc, can double or even triple that cost.

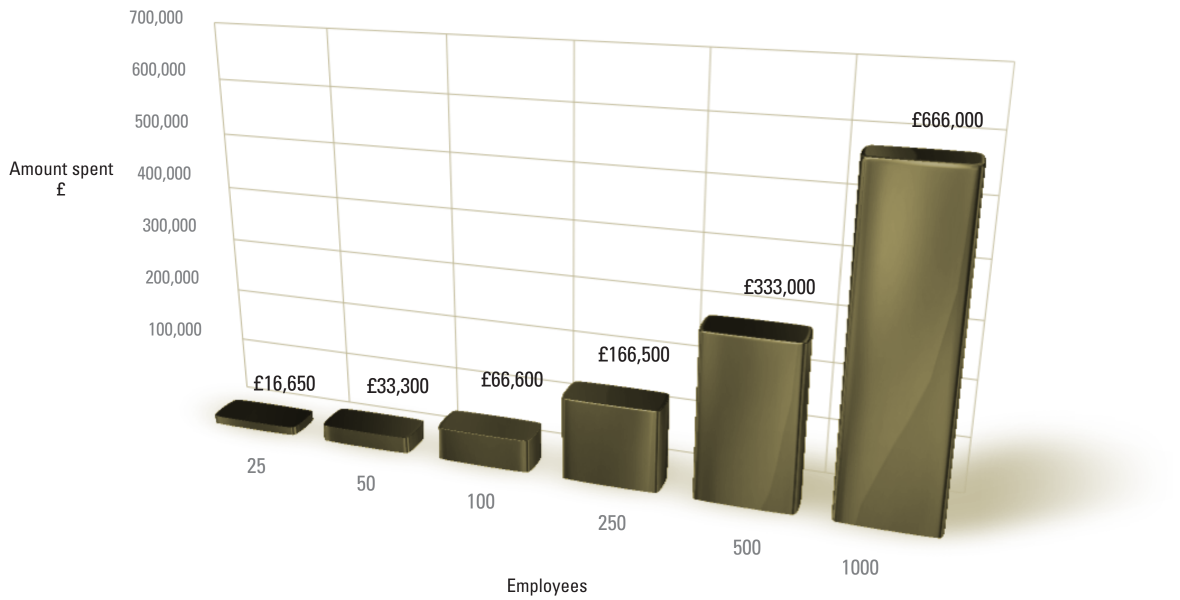
Absenteeism can have a profound, measurable and negative impact on an organisation's ability to deliver its products or services in a timely and cost-effective manner. It leaves employers scrambling to fill coverage gaps, fulfil schedule requirements and maintain productivity and quality levels. In extreme cases it can cause production lines and delivery to slow down and even stop, reducing revenues and creating longer customer service wait times.

Managers can react by re scheduling the work of an absent employee over to a colleague that is present however, this places an unfair burden on them, impacting on morale and staff retention. Other solutions are utilising overtime, paying a temporary worker to cover or not filling the shift at all, all of which add unnecessary costs, delays and business risks and have a negative effect on productivity and profitability.

Any organisation with an absenteeism problem needs to be accurately measuring and monitoring its extent and the best way to handle it. It must collect reliable data to identify particular patterns of unscheduled absence, be that for minor illness, stress, home/family responsibilities or recurring medical conditions or more underlying causes such as a negative response to the management style of a particular manager or the impact of increased workload.

Visibility into every form of absence and tracking every instance of its occurrence is essential in identifying trends and patterns of abuse. Tracking all instances in one single data system, be they scheduled time-off requests or unauthorised absences, provides visibility to all operational and HR managers that may be interested in the data.

Counting the cost of absenteeism
Annually



Absences can't always be avoided but the work must still get done to meet order deadlines for products and services and therefore automated scheduling tools can be invaluable in making fact based deployment decisions.

There are now a number of sophisticated metrics which can be put in place, for example: 'lost time rate', 'frequency rate' or trigger mechanisms such as The Bradford Factor which is a way of illustrating how disruptive frequent 'short term' absence – either side of weekends for example – can be relative to occasional longer spells of absence.

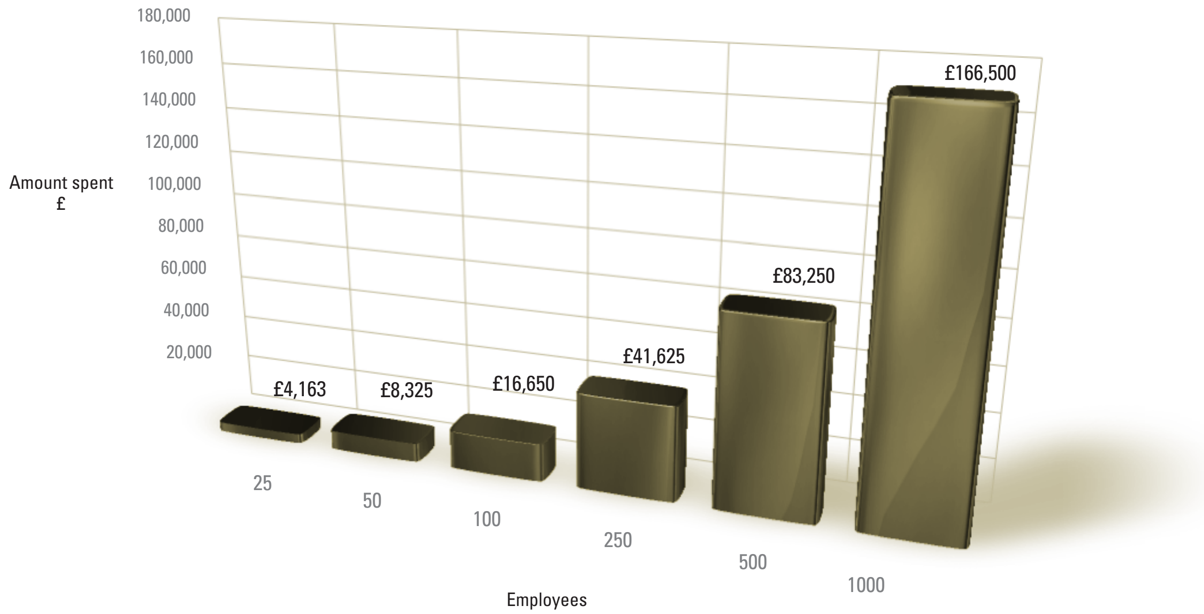
The Bradford Factor scores are a way of identifying individuals with serious absence and patterns of absence worthy of further investigation. It helps highlight causes for concern and is often one of the first steps in an attendance procedure, triggering a chain of actions that can run from review and verbal warning through to final written warning and even dismissal.

The Bradford Factor calculation is a score of SxSxD, where S is the number of occasions of absence in the last 52 weeks, and D is the total number of day's absence in the last 52 weeks. As with all such metrics, it requires consistency and accuracy in interpreting, calculating and recording attendance events to ensure adherence to policies.

This type of short term absence monitoring matters because it is often easier to make arrangements to cover staff that are going to be off for a long period, e.g. through illness, rather than the problems caused by employees taking the odd day here and there. The latter is bad for business and it's bad for morale sending out all the wrong signals to the colleagues who have to cover.

In a country where 80% of our workforce admits to regularly faking illness and over a third have been 'off sick' with a hangover, the Bradford Factor is a visible warning to employees that certain types and frequencies of absence are being monitored and acted upon. It also provides board management with definitive evidence of how absenteeism impacts on their bottom line and demonstrates why investment in effective absence management programmes can deliver immediate returns.

Counting the cost of absenteeism
Quarterly



Staff Retention

Failure to effectively manage absenteeism is just one of several reasons why a business struggles to retain its employees. In the UK it costs on average £4,667 to replace an employee and up to £10,000 for a senior manager and yet many companies maintain a cavalier approach to staff retention.

> *"Over 70% of employers believe employees' departure from the organisation has a negative effect on business performance."*
>
> **CIPD Annual Survey Report 2008 – Recruitment and Retention**

In a survey of 140 UK employers with a combined workforce of over 34,000 staff, over 70% recognised that employees' departure from the organisation had a negative impact on business performance but in spite of this over 41% admitted they made no attempt to manage staff retention. Although labour turnover is inevitable, where it is high organisations can face a loss of corporate knowledge and their ability to meet business objectives can be seriously compromised.

Whilst change of career is still deemed to be the most common cause of voluntary staff turnover, it is closely followed by promotion outside the organisation, level of pay and lack of career development, all factors which can be addressed and influenced by robust HR management, as can some of the other causes further down the list such as workload levels, working hours and stress.

Effective workforce management involves the HR team being aware of their employees' feelings and concerns and responding with practical solutions and advice that can prevent these from escalating into them seeking a career move elsewhere. Often something as simple as empowering employees to take control of their own time management can have major benefits for the staff but also help to maximise productivity within the overall HR department – a 'win-win' situation.

Processing employee requests for time off, for example, can be an administrative burden that occupies time better spent on more strategic initiatives. Providing employees with online self-service functions, allowing them to input their own information on holiday requests, time in lieu or annual leave requests can save time, reduce costs and significantly improve staff motivation, satisfaction and ultimately retention.

With the latest figures for the number of people out of work showing the biggest rise for 17 years, the CIPD suggesting that the worst is still to come and UK unemployment now expected to rise above two million people, the issue of staff retention unfortunately takes on a different dimension.

"The crunch effect is intensifying and unemployment is likely to rise, certainly above two million"

John Philpott, chief economist CIPD, 15th October 2008

The current economic climate will clearly increase the requirement for many organisations to reduce costs by downsizing and in many businesses the responsibility to oversee a redundancy programme will fall on the HR professional. They will need to have flexible systems and software that guides them through their redundancy strategies whilst continuing to satisfy the operational needs of the business.

Once again, robust workforce information and analysis will help to ensure the process is kept as smooth as possible for those losing their jobs, those employees remaining in the organisation and the overall business structure after the changes have been made.

Flexible Working

The UK's traditional workplace environment has undergone radical change in recent years. The 'nine to five' culture of most offices and factories has long gone, flexible work patterns are now a feature of many businesses and more and more people are choosing to work remotely from home as they seek an improved work/life balance.

Add to this increased employment legislation which has transformed the rights and conditions of most employees and businesses are left facing enormous pressures to remain efficient and competitive whilst maintaining effective administrative control.

But there is much evidence to suggest that introducing flexible working, and managing and reporting on it accurately, can be a highly effective way of responding to the pressures of modern business and that its benefits considerably outweigh the negatives. As a way of reducing employee stress, enabling employees to become more motivated, productive and happy, flexible working can provide a genuine competitive advantage to any business. Many people cite its availability as key to their decision-making when choosing an employer and there's evidence that it actually widens the labour pool.

Offering flexible options makes an employer a more attractive proposition to a broader range of candidates, for example older part-time workers or mothers who may want to continue their careers but not with the same intensity as they did in their earlier working life.

If staff are happier as a result of flexible working then so too, largely, are businesses. Not only do flexible workers tend to outperform their traditional full-time colleagues in terms of productivity, but the positive impact on recruitment, retention and reduced absenteeism enables companies to adapt more effectively to changing market conditions.

Conclusion

Whilst an organisation's HR function must continue to take the lead in providing strategic guidance on workforce issues and employee relations, in these challenging economic times this may no longer be enough. The support of comprehensive workforce management knowledge matched by the very latest technology is increasingly essential across all departments of an organisation.

As we've demonstrated in this paper, workforce management is about businesses staying focused on cost reduction and operational effectiveness in order to remain competitive. It's about having the right tools that provide the data and facts to make the best fact based decisions for the business and how to maximise the return on investment in these business-critical tools.

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