

Get a grip on staff absence

Neville Henderson, 22 Mar 2011



With chancellor George Osborne's second budget coming up tomorrow and the economy still in recovery mode, there is hardly a news headline that does not predict doom and gloom.

Threats of mass redundancies and pay cuts are being bandied around as if it is a foregone conclusion, but let's be clear: neither the public nor the private sector has to 'sack to save'.

It is true that in a typical organisation, the workforce can account for between 50% and 90% of total fixed costs, so it is an obvious target for cost reviews. But rather than reduce headcount dramatically - and threaten their ability to capitalise on the upturn when it comes - organisations can save hundreds of thousands simply by managing staff better.

Why don't they? A key problem is that many organisations do not have stringent systems in place to monitor their staff time and activity, manage the huge issue of absenteeism, or deploy staff more effectively.

While over 80% of businesses and the public sector now track absence (CIPD, 2010), absence management remains an uncomfortable topic for many HR practitioners.

That said, there is no doubt HR professionals need to get to grips with absence. According to the CIPD, the average level of absence per employee was just under eight days per annum in 2010, with public sector staff absent for nearly 10 days. The Government crackdown on benefit fraud was widely reported to have revealed that three-quarters of those on sickness benefit could work to some extent.

Adding to this is the issue of time abuse, such as arriving late and leaving early, and rounding up timesheets.

While they may not have been a major concern in the past, such practices now open up a big can of worms that many organisations are helplessly exposed to.

Even large multinational organisations continue to rely on simple tools such as spreadsheets for time and absence reporting. Without adequate systems to monitor employees' time, attendance and activities, they rely on people's honesty when reporting.

Moreover, the depth of information that can be recorded in this way is limited and it is hard to analyse the data strategically.

In recent years, the concept of workforce management - supported by underlying IT systems - has enabled HR practitioners to apply a more holistic approach to managing staff. Workforce management systems enable organisations to record much more detailed information about employees and their attendance. The data can be analysed systematically, to identify absence patterns for individuals - such as the football fan who is always off after a big match - or even the entire workforce.

Evidence from the private sector shows that by implementing comprehensive, automated workforce systems, a company with a 1,000-strong workforce can save over £1 million annually. Consequently, for a large corporate or public sector organisation with 10,000 or more staff, the savings can be even greater (see methodology).

These savings stem mainly from the ability to monitor and track employees' working time and levels of absenteeism, as well as through reduced administration and improved work scheduling: the ability to access real-time information about what work has been performed, who has performed it and how long it took, makes it easier to create effective schedules and rosters that maximise every employee's available time. For example, rather than having workers spend idle time once their originally scheduled jobs are done, they can be allocated additional tasks, raising productivity.

Workforce data can also be fed back into the scheduling process to provide more accurate prediction of the time and resource needed to perform future tasks. For example, at a medical device company, employees constantly had to work overtime at short notice to meet orders. Having analysed demand patterns, the company introduced annualised hours, supported by a workforce system that enabled managers to optimise shifts and keep on top of working time. Employees were given Fridays off while demand was flat but worked longer hours at peak times. The results were a happier, more incentivised workforce and a significant impact on the bottom line as overtime payments and waste were reduced.

However, as part of this process, public and private organisations are likely to find 'dead wood' among the workforce - and these surplus jobs will have to be cut. However, that is a far cry from mass redundancies, draconian pay cuts and, in the case of the public sector, the threat to local services.

Methodology - how to save £1.1 million by working smarter

A 1,000-strong organisation can realise £1.1 million in annual savings based on a calculation of the following inputs:

Scheduling and rostering cost savings are calculated using

number of employees

their annual salary

percentage of basic salary paid as overtime

'staff churn' as percentage of headcount

the cost of recruitment per employee

number of staff and annual salary for administration

Time and attendance cost savings are calculated using

number of employees

their annual salary

level of absenteeism (%)

percentage of employees 'rounding up' timesheets

number of 'rounded up' minutes per day

number of staff and annual salary for administration

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