CHAPTER 17

Effectiveness of human resource management

OVERVIEW

17.1 Introduction
17.2 Indicators

17.1 Introduction

The role of the human resource manager, working with the management team, is to decide how the employment relationship will be best managed so that it is cost-effective, achieves the business's goals and contributes to the 'bottom line'. These are important considerations, with managers reporting that labour costs are around 60 per cent of operating costs, and that 'people management issues' take up most of their managerial time.

In best practice businesses, a strategic, holistic view is taken of the importance of building a workplace culture that attracts and retains the 'best' employees and fosters the success of the enterprise. The role of the human resource function is to effectively link individual performance with corporate strategy. The business can then modify processes and strategies, if they are not successful, through performance management. As previously explained, performance management is a strategic approach to improving organisational effectiveness and success, through improving the performance of the business, teams and individual employees.



FIGURE 17.1 Key elements of effective human resource management. These elements have been discussed in the preceding four chapters.

Once all these elements have been implemented, the final aspect of human resource management is to evaluate their effectiveness.

17.2 Indicators

Many businesses use a range of **indicators** to reflect on the effectiveness of the human resource functions. Indicators are performance measures used to evaluate the effectiveness of the business, team or individual, such as dollar sales achieved per employee per year.

Indicators can be compared to those of best practice businesses or internal divisions to determine strengths and weaknesses. This process is called **benchmarking**. Benchmarking is a process in which indicators (key variables) are used to compare business performance between internal sections of a business or between businesses. This is then used as a basis for improvement.

Indicators are gathered and collated in **human resource audits**. The major control tool is the annual strategic planning process, where performance is evaluated and strategies modified for further organisational development.

Typical indicators used to evaluate the effectiveness of the human resource function are shown in table 17.1.

BizWORD

Indicators *are performance measures that are used to evaluate organisational or individual effectiveness.*

Benchmarking *is a process in which indicators are used to compare business performance between internal sections of a business or between businesses.*

A **human resource audit** *is a diagnostic tool used to evaluate HR policies and practices in order to identify problems and develop solutions in an attempt to rectify problems.*

TABLE 17.1 Human resources effectiveness indicators

Functional area	Indicators (/ means 'as a proportion of')
Human resources planning	Number of staff/budgeted staff
Recruitment and selection	Applicant rejections Acceptance rates for job offers Recruitment costs Vacancies filled within target time
Training and development	Training days/hours per employee Training time/budgeted time Cost of training Test outcomes — changes in skills, quality accidents, output, productivity Succession planning rate Promotion rate
Employee rewards and benefits	Costs of rewards and benefits Labour turnover rates Absence rates/total hours worked Rewards and benefits compared with other businesses
Industrial relations	Grievance records Industrial disputes, work stoppages Time lost through disputes
Work health and safety	Accident rates Lost time injury incidence rates Workers' compensation costs/payroll
Performance appraisal	Appraisals undertaken Goals achieved/not achieved Disciplinary interviews/people employed Improvements in quality and productivity (turnover rate)
Separation/termination	Separation rate Dismissal rate Resignation rate Average retirement rate Unfair dismissal claims
General HRM effectiveness	Labour costs/sales and gross profit per employee Growth in market share

The most commonly used key performance indicators benchmarked for the effectiveness of human resource management are:

- financial indicators for each member of staff, including sales per employee
- contribution to production, for example, output per employee
- changes in staff turnover
- absenteeism
- accidents
- levels of disputation — workplace conflict and industrial disputes
- worker satisfaction, as seen in surveys, feedback and exit interviews.

Clearly, for indicators to be of value, results must be communicated and acted upon by management in improvement plans. The role of the human resource manager in using these indicators is focused on fostering continuous improvement by:

- communicating and educating employees about company vision, strategy and expectations at an operational level
- planning and setting goals for employees that are translated into meaningful tasks, and ensuring staff know how to achieve them
- developing employees effectively to improve performance
- evaluating performance, providing coaching and feedback in formal reviews
- linking rewards to performance measures
- providing organisational feedback for ongoing planning purposes.

17.2.1 Corporate culture

Reflect on either a part-time job you enjoyed doing, or a class you liked attending. What made these experiences so worthwhile? Your enjoyment was probably due to a combination of factors:

- You believed you were treated fairly and honestly, and were trusted.
- Your work was appreciated.
- Positive reinforcement, in the form of praise, was given for a job well done.
- Your involvement gave you a feeling of self-worth.
- Criticism, when given, was constructive.
- Conflicts, when they arose, were dealt with sensitively and appropriately.
- There was a harmonious atmosphere in the workplace/classroom, with positive work relationships between the staff.
- You felt part of a team working together to achieve a specific goal.



FIGURE 17.2 A cooperative workplace culture is common in the most popular workplaces. It is usually based around positive working relationships between employees.

When you think about it, a sporting or debating team, emergency workers at the scene of an accident, the crew of an aircraft or sales assistants serving at the checkout all have one thing in common: they are part of a team that requires the interaction of a large number of individuals to achieve a common objective.

Most businesses that are successful in the long term maintain a balance between concern for success (expansion or profit) and regard for their employees. Better work and employment relationships begin with an understanding of how to develop a positive **corporate culture**.

People are a business's most valuable resource or asset. It makes sense, therefore, to develop a cooperative and effective corporate culture and positive working relationships. Without dedicated, trained and motivated employees, the best organised plans will never be achieved. In its broadest sense, human resources covers all types of interaction among people: conflicts, cooperative efforts, and interpersonal and group relationships.

The indicators that reveal a workplace has a poor corporate culture include:

- high staff turnover
- poor customer service
- high levels of absenteeism
- accidents
- disputes and internal conflict.

These problems are reflected in poor business performance, lower sales, lower profits than competitors and ultimately the 'bottom line'.

Effective workplace relationships depend heavily on the quality of a business's communications systems and participation of employees in decision making, as discussed in chapter 16. Strategies that focus on building trust and direct communication between people, and value their ideas are critical in building a positive workplace culture. Common features of the workplaces rated the best in Australia are shown in figure 17.3.

BizWORD

*A **corporate culture** refers to the values, ideas, expectations and beliefs shared by members of the business.*



FIGURE 17.3 How to build a great workplace culture — features of workplaces rated the best in Australia

SNAPSHOT



'She includes staff unconditionally in the decision-making process … is considered to be a great leader …'

study on

Syllabus area 4
Topic 5
Concept 1

Indicators: corporate culture
Summary screen and practice questions

Healthy management

City Health is a private healthcare provider serving a population of 500 000 people and operating with a budget of $500 million. It employs 3000 staff and has grown steadily over the last five years due to the merging of several major city hospitals. The chief executive of City Health, Dr Jan Dvorak, recently called a meeting of the executive team to discuss a strategic plan. These discussions explored the objectives of:

- developing a culture of quality and innovation
- working in partnership with all stakeholders to enhance the health of the community
- providing an environment that values and supports staff
- achieving a financially sustainable health service.

Up until now, Dr Dvorak has managed and guided City Health through its period of high growth. She has led the business to where it is today by listening to her employees, the hospital's patients and the community. She includes staff unconditionally in the decision-making process of the business. She is considered to be a great leader by her staff.

Dr Dvorak considers that the change to a new corporate culture will be her greatest challenge so far, but believes that the hospital is well on its way to achieving this goal.

SNAPSHOT QUESTIONS

1. **Outline** the recent changes at City Health.
2. **Summarise** the proposed City Health strategic plan.
3. Who is Dr Jan Dvorak? **Describe** her management style.
4. **Analyse** the changes at City Health and Dr Dvorak's approach to management in relation to their impact on the company's new corporate culture.

BizWORD

Informal benchmarking *includes any strategies such as networking through informal discussions with colleagues in other businesses, undertaking visits to other businesses, researching best practice online and attending conferences.*

Performance benchmarking *involves comparing the performance levels of a process/activity with other businesses.*

Best practice benchmarking *involves comparing performance levels with those of another best practice business in specific areas using a structured process to gain skills and knowledge and to modify organisational processes.*

Balanced scorecard benchmarking *is used for measuring whether the activities of a business are meeting its objectives established in the strategic plan. It benchmarks key performance variables with targets aligned with the strategic plan.*

17.2.2 Benchmarking key variables

Effectively performing benchmarking may involve coordination with line management, the human resource manager and even external specialist consultants. Each may share in evaluating the practices shown in figure 17.1. Benchmarking may follow a more comprehensive human resources audit or may be undertaken using basic indicators. The purpose is to compare a business's performance in specific areas against other similar businesses or divisions, or against 'best practice' businesses. The aim is then to initiate changes to foster improvement. Many businesses report they improve their process performance after undertaking benchmarking.

Benchmarking is commonly undertaken in a number of ways.

- **Informal benchmarking** includes any strategies such as networking through informal discussions with colleagues in other businesses, undertaking visits to other businesses, researching best practice online and attending conferences.
- **Performance benchmarking** involves comparing the performance levels of a process/activity with other businesses.
- **Best practice benchmarking** involves comparing performance levels with those of another best practice business in specific areas using a structured process to gain skills and knowledge, and to modify organisational processes.
- **Balanced scorecard benchmarking** is used for measuring whether the activities of a business are meeting its objectives established in the strategic plan. It benchmarks key performance variables with targets aligned with the strategic plan.

The approach used for benchmarking needs to be chosen for its suitability to the business's needs and resources as it can be a very costly and time-consuming process. Most businesses do not rely solely on quantitative variables or sales per employee, but also consider qualitative information such as feedback from staff and customers. The impact on the 'bottom line' (i.e. valued in terms of profits/costs) does nevertheless remain a major consideration, with the cost of human resources being the largest single contributor to most organisational costs.

Care needs to be taken in benchmarking. It may provide useful information about the business's human resources, but may focus excessively on costs rather than what is actually being achieved or may be achieved. The most important information is the long-term performance of those recruited and the development needs of talented staff with future potential in the business.

BizFACT

In 2017, the Workplace Gender Equality Agency *(WGEA) introduced benchmark data that allows a business to compare its performance both within the industry and with other organisations of the same size in other industries with respect to specific human resources issues such as gender composition of its workforce, remuneration, flexible work arrangements and sex-based harassment and discrimination.*

Case study: Westpac — key indicators and what they mean in human resource management

For the last four years Westpac has acknowledged more intently the role of people and culture within its organisation through a range of initiatives that are aimed at identifying, developing and retaining talented staff as a means of maintaining its point of difference with other financial institutions.

Westpac had identified a number of key indicators that it would monitor and where necessary act upon by implementing a variety of policies and practices to ensure the ongoing effectiveness of the management of its human resources.

These indicators for 2016 included:

1. total turnover rate — 11 per cent
2. voluntary turnover rate — 11 per cent
3. employees that use flexible work arrangements — 74 per cent
4. absenteeism — 7.32 per cent
5. lost time injury frequency rate (the number of work-related lost time injuries per million hours worked) — 0.8 per cent
6. women in leadership positions — 48 per cent.

Westpac's results across these indicators compare favourably from previous years and with other financial institutions when benchmarked, but nevertheless Westpac continues to seek ways to further improve upon these results. These initiatives include:

- a variety of leave options such as up to two years of parental leave, of which 13 weeks are paid (including superannuation), career breaks of between 3 and 12 months of unpaid leave to pursue personal interests and the option to buy back up to four weeks of leave (purchased leave)
- access to child care owned and operated by Westpac
- a *Flexible Work Options Guide* that can be viewed via the company's intranet and includes a program that allows people interested in job share arrangements to be matched with potential work partners
- a new induction program that encourage participants to engage in the consideration of stakeholder perspectives and ethical responsibility
- a remuneration program that is competitive and linked to performance management. It combines financial rewards such as wages and salary as well as access to cheaper insurance, loans and non-financial rewards such as cheaper IT and other electronic appliances.

The programs are monitored and evaluated and the success of such initiatives linked to indicators such as those listed above. Results show that Westpac's human resource management continues to meet its objectives and that its programs continue to make it a preferred employer.

Source: www.westpac.com.au

SNAPSHOT



'initiatives . . . aimed at identifying, developing and retaining talented staff'

SNAPSHOT QUESTIONS

1. **Why** has Westpac examined the role of its people and culture department more closely in recent years?
2. **Identify** the human resource indicators that have been the focus of Westpac's attention.
3. **Discuss** how Westpac has responded to its analysis of its human resource management indicators.

BizFACT

It is in the interests of businesses who wish to benchmark their human resource activities to share information. Businesses interested in benchmarking have joined together to form 'The Global Benchmarking Network'.

Human resource audits

A human resource audit can be used to systematically analyse and evaluate human resource activities and their effectiveness. This audit can be performed in a number of ways:

- Performance of one division or the business itself against another is benchmarked and compared to industry 'best practice' to determine areas of weakness and for improvement.
- An outside consultant conducts research to analyse problems and suggest solutions.
- Key performance variables are evaluated by management.
- A legal compliance analysis may be undertaken to determine areas of variance from laws and company policies. High levels of fines, workers' compensation claims and unfair dismissal claims would indicate this type of audit was required.
- A management by objectives (MBO) approach can be used to determine areas of poor performance against targets established.

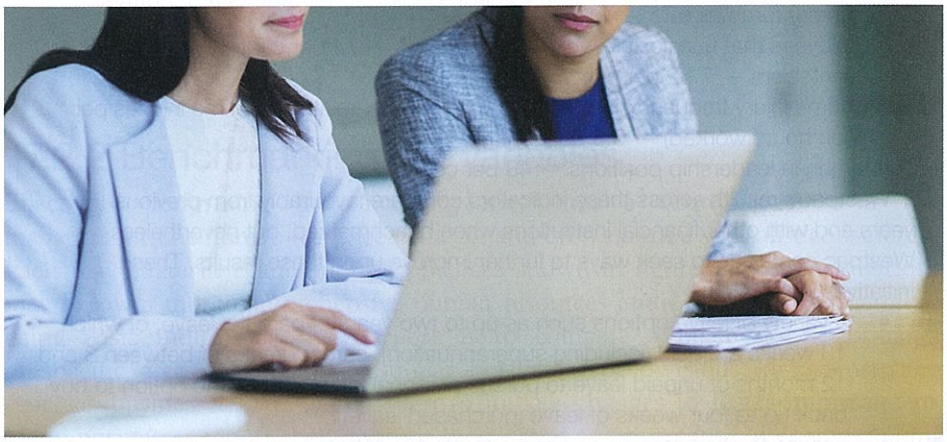


FIGURE 17.4 Businesses should regularly evaluate human resource management strategies, the quality of workplace relationships and the corporate culture.

Quantitative measures

Quantitative measures to be analysed are shown in table 17.1 and in the following Snapshot. These should be able to demonstrate the actual effect of indicators in economic terms — that is, in terms of costs and profits. Key variables often include:

- variances in labour budgets. Significant increases in the size of labour budgets represent a major increase in the costs of business, and are most likely due to poor planning of staffing needs, higher unscheduled absenteeism, overtime or staff turnover rates, or increases in wage rates.
- time lost/costs of injuries and sickness. Rising costs are a clear indicator that health and safety requirements are being breached, perhaps due to poor training or a lack of training. Such costs also lead, in the longer run, to higher insurance premiums, and risks of fines and claims.
- performance appraisals completed compared with targets. This indicates the extent to which the appraisal of staff has been undertaken by managers, but does not provide detailed feedback on the effectiveness of these processes.

- percentage of goals achieved. Goals should be collaboratively determined by employees and managers. The return on human investment is a goal, which may be determined in many ways including dollar sales per employee. Rising sales per employee are often seen as an indicator of improved customer service and employee productivity.
- levels of labour turnover, particularly those initiated with employees. Higher levels can indicate workplace problems, ranging from a poor workplace culture and poor working relationships, to lack of clear job descriptions and opportunity for promotion or personal growth.

Benchmarking of such variables is undertaken frequently by businesses seeking to operate at world's best practice, or in accordance with standards in quality assurance programs.

Key human resource benchmarks (median) — a summary

	2013	2014	2015	2016	2017
Return on human investment ratio	$0.30	$0.38	$0.32	$0.19	$0.47
Managerial/professional male to female staffing rate	1.96	1.79	1.82	1.43	1.60
Unscheduled absence per employee (absenteeism)	7.03 days	7.25 days	7.74 days	7.87 days	8.22 days
Employee-initiated separation rate	8.39 per cent	8.29 per cent	7.36 per cent	7.61 per cent	7.26 per cent
Total separation rate	15.16 per cent	16.01 per cent	13.59 per cent	15.06 per cent	13.24 per cent
Training investment per employee*	$635	$817	$898	$1021	$1111

*excluding trainees' remuneration

SNAPSHOT QUESTIONS

You are the human resource manager of a major chain store. When you examine your key indicators for the last year, you find your return on human investment is $0.16, absenteeism is 12 days per employee, your total separation rate is 40 per cent and your training investment per employee is $483.

1. **Explain** how your business compares to the 2017 human resources benchmarks.
2. **Create** a report that **proposes** possible causes of, and solutions to, these differences.

SNAPSHOT



'. . . return on human investment is $0.16. . .'

Qualitative evaluation

Qualitative evaluation involves detailed feedback and research on key issues, which allows judgements to be made about changes in behaviour or quality of service provided. Major sources of such information may include feedback from middle management, surveys and focus groups about workplace culture, relationships at work, and the quality of customer service and leadership.

Benchmarking major variables is essential in planning for continuous improvement.

- High or increasing absenteeism and labour turnover rates are indicators of problems including boredom, poor relationships, and lack of training or opportunities to develop.

- Analysis of industrial disputes and the issues raised may provide useful feedback about issues such as health and safety, rewards and benefits, and relationships in the workplace.
- Feedback from performance appraisals provides information useful in evaluating and planning training, recruitment and selection, development, rewards, and separation processes.
- Feedback from supervisors, consultative committees, customers and employees in organisational surveys provides useful insight into worker satisfaction, empowerment and customer service.

Research by external businesses and institutions also provides valuable information for analysis and comparison. Businesses, therefore, need to consider domestic and international trends and management practices when planning strategies for improving the effectiveness of human resource management and business performance.

17.2.3 Changes in staff turnover

BizWORD

Staff turnover *refers to the loss of employees by a business who leave for a variety of reasons.*

Staff turnover refers to the separation of employees from an employer, both voluntary and involuntary, through dismissal or retrenchment. It is often shown as a percentage of total staff numbers. Staff turnover in Australia averages around 12–15 per cent per year, and fluctuates with the economic cycle, with around half being voluntary turnover due to resignation and retirement.

Turnover varies greatly between industries, with the hospitality and hotel industry commonly experiencing rates of 90 per cent per annum. In assessing the significance of turnover, it is therefore important for businesses to benchmark their turnover against that of other businesses in the industry; and to determine the type of staff leaving and their reasons. There are likely to be 'pull' factors outside the business or 'push' factors inside the business.

BizFACT

Exit interviews are used to find out why an employee is leaving the organisation. Surveys indicate that less than 5 per cent of employers actually make use of information gathered from exit interviews.

Staff may leave to seek new opportunities or promotion as a result of skills developed in a particular industry; this may not be a negative reflection on the workplace they are leaving. Others may leave due to a 'toxic' workplace riddled with internal politics.



FIGURE 17.5 The hospitality and hotel industry experiences high rates of staff turnover, as much as 90 per cent per annum.

The costs of high labour turnover are great, and involve high costs through pay-outs for entitlements, hiring, inducting and training new staff (see figure 17.6). Productivity and service quality (a major issue in the hospitality and hotel industry), corporate skills and knowledge are lost, particularly if there has been poor succession planning. This is often described as the biggest cost of high turnover rates. Lack of a focused workplace culture in such an environment reduces employee commitment and loyalty.

Some level of turnover is considered healthy in businesses, as new ideas are brought in and often stimulate innovation in work practices. However, a major change or a significant increase in turnover is a major warning sign.

Exit interviews		$1000
Administration		$100
Lost productivity		$15 000
(a) Costs of separation of employee from company	=	$16 100
Prepare job descriptions, review résumés and interviewing		$3000
Recruitment agency and advertising		$20 000
Pre-employment tasks and orientation		$1000
Lost productivity		$30 000
Training of new employees		$40 000
(b) Costs of replacement and training new employee	=	$94 000
Total turnover cost (a + b)		**= $110 100**

FIGURE 17.6 Hypothetical total turnover costs for a middle manager in a large Australian business

BizFACT

Much employee turnover in Australia occurs in newly recruited staff with less than one year in the job. Unskilled employees with mundane or repetitive jobs, low pay and little participation in decision making are also more likely to resign.

High resignation rates are often linked with absenteeism rates as indicators of dissatisfaction in the workplace.

Case study: Managing employees at Nationwide Health

Nationwide Health is a national care organisation that employs 8000 people across Australia. While the business has performed well and management is pleased with this performance, there is concern about aspects of employment relations, in particular the high rate of staff turnover. Rates for this important human resource indicator appear to spike before and during school holidays and has become unsustainable. It appears that it is more of issue at Nationwide Health as it has a predominantly female workforce and anecdotally many of its staff were critical of the lack of interest being displayed in achieving work–family balance.

Management did eventually become aware of the issue and despite initial staff misgivings, it was keen to resolve the issue and stem the tide of staff separation. After a brief consultation period to hear concerns directly it introduced a more flexible work environment for staff that allows for job sharing, shorter night shifts, school holiday programs for children, negotiating with local childcare centres for cheaper rates, banked (accrued) leave and flexible rostering.

Since its introduction of its more flexible approach to workplace management, turnover has fallen to less than 2 per cent (much lower than the industry average) and the return to work rate for women following maternity leave increasing to 97 per cent.

SNAPSHOT QUESTIONS

1. **What** industry sector does Nationwide Health belong to?
2. **Identify** the human resource management issue faced by management at Nationwide Health.
3. **Why** was the issue most obvious during school holidays?
4. **How** did management address the issue it faced?
5. **Evaluate** the effectiveness of the strategies used by Nationwide Health's management to address the issue. Are there others you could suggest?

SNAPSHOT



'. . . many of its staff were critical of the lack of interest being displayed in achieving work–family balance.'

studyon

Syllabus area 4
Topic 5
Concept 2

Indicators: benchmarking key variables and changes in staff turnover
Summary screen and practice questions

SUMMARY

- Human resource indicators are used by many businesses to evaluate the effectiveness of the business, team or individual.
- The best way to maximise employee productivity and motivation is through a constructive corporate culture, where employees are trusted, collaborate, have strong personal relationships and are highly trained and mentored.
- Benchmarking is a process in which indicators are used to compare business performance between internal sections of a business or between businesses.
- Benchmarking may be undertaken using informal benchmarking, performance benchmarking, best practice benchmarking and balanced scorecard benchmarking.
- A human resource audit can be used to systematically analyse and evaluate human resource activities and their effectiveness.
- Quantitative measures should be able to demonstrate the actual effect of indicators in economic terms.
- Qualitative evaluation involves detailed feedback and research on key issues, which allows judgements to be made about change in behaviour or quality of service provided.
- Staff turnover refers to the separation of employees from an employer, both voluntary and involuntary, through dismissal or retrenchment.
- In assessing the significance of turnover, it is important for businesses to benchmark their turnover against that of other businesses in the industry; and to determine the type of staff leaving and their reasons.

EXERCISE 17.1 REVISION

1 **Clarify** the relationship between indicators, benchmarking and human resource audits.
2 Look at table 17.1 and draw a table listing one indicator from each functional area. Next to the indicator, **outline** how it can be used to evaluate the effectiveness of human resource management.
3 **Explain** how corporate culture can influence the success of a business.
4 Sonic Ltd has low staff turnover, low levels of absenteeism and very few accidents. **Deduce** what this reveals about Sonic's corporate culture. **Justify** your answer.
5 **Why** is benchmarking a useful tool for managers?
6 **What** are some of the most common methods of benchmarking used today?
7 **Discuss** some of the difficulties associated with benchmarking.
8 **Explain** why the effectiveness of human resource management in a business cannot be evaluated using a quantitative approach alone.
9 **Why** are staff turnover rates significant indicators of the effectiveness of human resource management in a workplace?

EXERCISE 17.1 EXTENSION

1 **Create** a logical, structured report on the following topic:
'A key aspect of effective human resource function is the monitoring, evaluation and modification of plans and performance.' Refer to business examples or case studies in your response.
2 **Access** how benchmarking can assist in a strategic approach to human resource management in achieving the goals of the business.
3 The Australian Workplace and Industrial Relations Survey has revealed that most workplaces with more than 20 employees use these practices:
   - training for supervisors
   - equal employment opportunity and affirmative action policies
   - performance appraisal of non-managerial employees
   - productivity improvement systems, such as key indicators and benchmarking.

   Predict the possible benefits to be gained from the use of each of these practices.

17.2.4 Absenteeism

Absenteeism refers to a worker who neglects to turn up for work when they were scheduled to do so. High levels of absenteeism and/or lateness may indicate that workers are dissatisfied or that there is conflict within the workplace (see the following Snapshot).

BizWORD

Absenteeism *refers to a worker who neglects to turn up for work when they were scheduled to do so.*

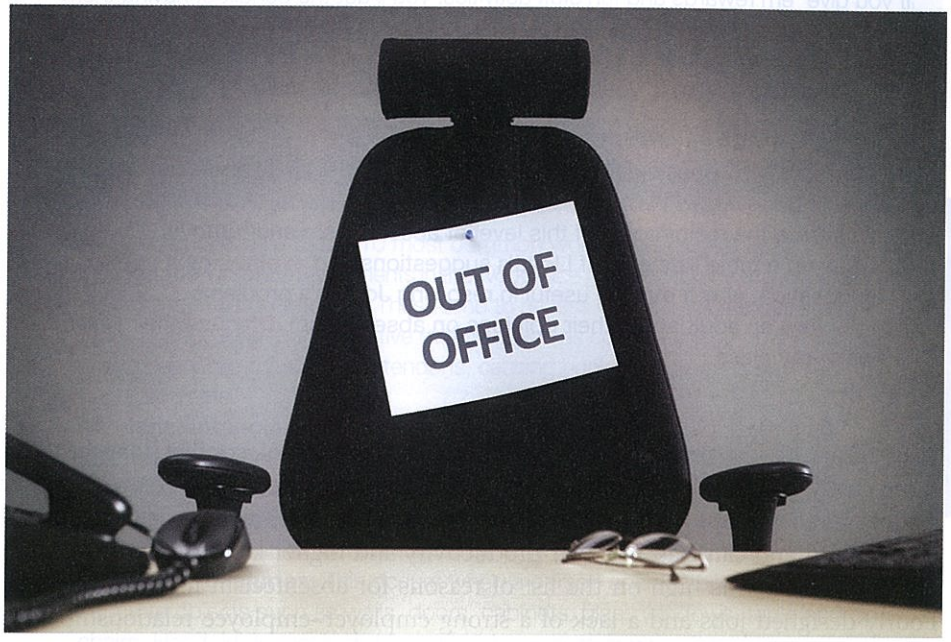


FIGURE 17.7 Absenteeism may indicate dissatisfaction or conflict within a workplace.

Absenteeism — sickies cost!

Jordan, a kitchen manufacturer, is overheard complaining to Lloyd, a recording studio owner

Lloyd: When am I getting that kitchen delivered? The bands keep making a mess of my studio! I keep finding nuggets and chips on my equipment!

Jordan: Mate, I'm doing my best. I've got up to seven of my 95 staff absent at the moment. They're such bludgers! I'm going to sack them.

Lloyd: Have you thought about your workplace practices?

Jordan: I haven't got the time for that fuzzy stuff.

Lloyd: Does this happen a lot?

Jordan: Yeah, I lose 50 per cent of my staff every year.

Lloyd: You know, you should get some advice. I don't have a problem at all, but, as you know, I'm a good guy! My staff don't want to take time off because the work is great. I give them time off to look after their kids if they need it and get everyone to learn someone else's job, so they can take over when the others are off. I give them free CDs and concert tickets when they work hard. Even P. Diddy said he wouldn't mind working here when he came on a tour! What do you do for your staff?

Jordan: None of that. Work is work — not a play centre!

Lloyd: Mate, don't you do your key performance indicators? It's costing you probably $1500 every time your staff has more than a week's sick leave a year. Most people take off around 9 days a year, and I bet there are a few race days in that lot. Multiply that by seven staff, add 30 per cent for lost productivity, and you get the idea! And that's not counting all the make-up work. They reckon it costs you around $360 a day every time someone is off sick.

Jordan: Geez! My hip pocket is hurting. What should I do?

SNAPSHOT



"It's costing you probably $1500 every time your staff has more than a week's sick leave a year."

Lloyd: Talk to my wife. She's a human resource manager for a big record company. She'll tell you to find out why they take time off, through meetings or a suggestion box.

Jordan: I can imagine the rude stuff I'd get in the box.

Lloyd: Try being a decent employer. Sit down and work out with them a clear policy for absences. You can reduce your absenteeism by 20 per cent by putting in a plan. If you give 'em rewards and fun staff activities, you'll get the benefit of having them there. You won't have all these upset customers because no one follows up on their calls properly, and you won't have to constantly reschedule things. Tell them how much it matters. Listen to your staff and then save money, mate.

SNAPSHOT QUESTIONS

1. **Outline** all the possible reasons for Jordan's high levels of absenteeism and labour turnover.
2. **Describe** the major costs of this level of absenteeism and turnover.
3. Draw up a table listing all of Lloyd's suggestions and **explain**, next to each suggestion, why it may be useful in resolving Jordan's problems.
4. Interview an adult about their opinions on absenteeism. **Discuss** their views with your class.

BizFACT

A recent study has indicated that a 2.5 per cent reduction in productivity occurs for each 1 per cent increase in absenteeism. In Australia that represents about $35 billion per year.

In terms of lost revenue, such unofficial expressions of conflict may be even more costly to firms than official forms of conflict. Firms need to have much higher staffing levels to cope with high absentee levels. Therefore, revenue is lost as work is disrupted and can lead to lower productivity and higher labour costs.

Job satisfaction is high on the list of reasons for absenteeism in the workplace. Poorly designed jobs and a lack of a strong employer–employee relationship contribute to workers being absent.

17.2.5 Accidents

BizFACT

Since a high in 2007 when there were 310 workplace deaths, figures have generally trended downwards. The 45–54 years age group is the most vulnerable, with 710 worker fatalities since 2003.

Around 5.3 per cent of Australia's 12 million employees experience a work-related injury or illness each year. According to Safe Work Australia, in 2015–16 there were 105 000 workers' compensation claims for serious work-related injuries or illnesses involving one week or more off work, a permanent incapacity or fatility. The median time lost for a serious claim between 2001 and 2015 increased by 33 per cent, with the highest rates being among labourers and machinery operators and drivers.

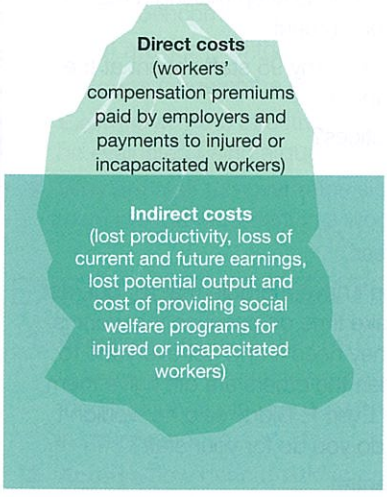


FIGURE 17.8 Financial costs of accidents and injuries in the workplace — the 'iceberg effect'

Professionals suffer few accidents. Women in the hospitality and health related services experience high rates of injury.

The most common types of workplace fatalities are associated with road crashes, particularly for tradesmen and transport workers; while injuries are associated with lifting, pushing and pulling objects, or being hit by an object.

All businesses need to adopt a systematic, legally compliant approach to managing work health and safety (WHS), as discussed in chapter 14.

WHS indicators are benchmarked internationally using a number of indicators, including:

- Lost Time Injury Frequency Rates (LTIFRs). A lost-time injury is an event that results in a fatality, permanent disability or time of one day/shift or more lost

on Resources

eLesson: Workplace accidents and Australia Post (eles-1047)

from work. The LTIFR is the number of lost-time injuries per million hours worked, calculated as follows.

$$\frac{\text{Number of lost-time injuries} \times 1\,000\,000}{\text{Total hours worked in accounting period}}$$

- Safe Work Australia rates based on accepted workers' compensation claims that involved the loss of one or more working weeks (termed serious claims). Claims for shorter periods are not counted in this rate.

Accidents in the workplace — 10 most common injuries and how to avoid them

Following is an overview of the 10 most common workplace injuries.

10. **Workplace violence:** Arguments in the workplace that lead to physical confrontation.
9. **Repetitive motion injuries:** These tend to be less obvious but are definitely harmful in the long run. Repetitive motions such as computer work that involves typing can strain muscles and tendons, causing back pain, vision problems and hand problems.
8. **Machine entanglement:** Occurs in factories where heavy equipment and machinery are used. Clothing, shoes, fingers and hair are all vulnerable when no precaution is taken.
7. **Vehicle accidents:** Employees who drive for business purposes are often injured in motor vehicle accidents, some of which can be fatal.
6. **Walking into injuries:** This occurs when a person accidentally runs into concrete objects such as walls, doors, cabinets, glass windows, table and/or chairs. Head, knee, neck and foot injuries are common results.
5. **Falling object injuries:** Objects that fall from shelves or are dropped by another person can cause very serious injuries. Head injuries are a common result of this type of accident.
4. **Reaction injuries:** These are injuries caused by slipping and tripping without falling. These incidents can cause muscle injuries, body trauma and a variety of other medical issues.
3. **Falling from heights:** This type of fall happens from an elevated area such as roofs, ladders and stairways. They can be caused by slip and fall accidents or due to faulty equipment.
2. **Slipping/tripping:** Falls on wet and slippery floors or trips over something lying on the floor.
1. **Overexertion injuries:** Injuries related to pulling, lifting, pushing, holding, carrying and throwing activities at work. Overexertion has not only consistently been the number one workplace injury but is also the most expensive.

Effective workplace management involves making the workplace safe for all staff. To avoid situations such as those outlined above, SafeWork NSW has identified a number of strategies to make the workplace safe. These include:

- inspecting the workplace for potential hazards
- prioritising work tasks according to the greatest risk of injury and ensuring that safe work procedures accompany it
- regularly reviewing safe work procedures to ensure currency
- consulting with staff about ways to eliminate or reduce risk arising from potential hazards
- providing induction, training and supervision for workers so that all work tasks are conducted safely.

SNAPSHOT QUESTIONS

1. **Outline** the 10 most common causes of workplace injuries.
2. Imagine you have been appointed to the role of a WHS manager. **Recommend** initiatives that you believe would be effective in reducing the occurrence of the listed common injuries.

BizFACT

Recent figures indicate that work-related injury and disease cost the Australian economy as much as $62 billion or 4 per cent of gross domestic product per year.

SNAPSHOT



"Effective workplace management involves making the workplace safe for all staff."

Best practice businesses:

- have regular safety audits and comprehensive safety programs, and use data to improve
- build a culture of safety. They communicate effectively about health and safety using visible policy statements, safety signs and reminders.
- provide careful induction and regular ongoing training for staff to ensure they are aware of safety rules and prepared for emergencies
- consult employees and health and safety personnel on the implications of changes in the workplace.

Such businesses save on compensation claims, absenteeism, lost work time, replacement costs for damaged equipment, and loss of morale in the workplace. Customers appreciate the effort businesses make in producing a safer product or service; therefore, such businesses also improve their image to their customers.

17.2.6 Levels of disputation

Chapter 16 examined the causes of industrial disputes and examined the most common manifestations or types of industrial action — strikes and lockouts. There are however, many more, often costly, overt and covert manifestations of disputes that employers need to monitor and evaluate.

Indicators of industrial disputation

Although strikes and lockouts are officially recorded indicators of industrial disputes, a range of other forms are used in the workplace, as shown in figure 17.9.

- Work bans — a ban or boycott is a refusal to work overtime, handle a product, piece of equipment, process, or even a refusal to work with particular individuals. A green ban often refers to a refusal to carry out work that is considered harmful to the environment or natural resources such as forests.
- Work-to-rule — this action occurs when employees refuse to perform any duties additional to the work they normally are required to perform. This is most common as a form of industrial action in community services.
- Go slow — in this action, employees work at a slower rate than normal, causing customer complaints, and an expensive backlog of work to be caught up at a later date.
- Sabotage — vandalism, cyber attacks and internal theft are not uncommon, but are rarely discussed publicly by firms. They may involve employees taking action to harm or destroy the image of a firm, for example by contaminating food or disrupting production.

BizFACT

If teachers refused to do bus supervision or mark homework, this would be a work-to-rule action.

Types of industrial conflict

Overt manifestations

By employees	By management
• Pickets	• Lockouts
• Strikes	• Stand-downs
• Stop-work meetings	• Dismissals, retrenchments
• Work bans and boycotts	
• Work-to-rule	

Covert manifestations

By employees	By management
• Absenteeism	• Discrimination
• High labour turnover rates	• Harassment
• Theft and sabotage	• Lack of cooperation
• Higher defect rates	• Exclusion from decision making
• Reduced productivity	
• Lack of cooperation	

FIGURE 17.9 Types of overt and covert industrial conflict

Employers should be concerned if a number of formal grievances are reported, as they are an indicator of poor quality relationships in the workplace and can be very damaging if they attract media attention or move through the legal system. Careful investigation should indicate whether these issues relate to the policies and processes operating within the business, or to specific individuals who may need further training and development or formal counselling. Ongoing grievances are likely to be reflected in higher levels of staff turnover and/or industrial disputes.

As outlined in chapter 16, apart from negotiations related to the making of awards and agreements, managerial policy is one of the most common causes of disputes. Disputes arising from managerial policy may include the decisions and policies of line managers, organisational restructuring, discrimination, decisions that impact on work and family life, and changing work practices such as the use of outsourcing and contractors. Such disputes, when not reflected in strikes and lockouts, are more commonly reflected in grievances, fines, bans, accidents, poor customer service, declining productivity, and higher absenteeism and labour turnover.

BizFACT

The ABS publishes statistics on industrial disputation in Australia. Only disputes that amount to 10 or more working days lost are counted in ABS statistics. The ABS officially recognises a range of strike actions and lockouts by employers, but does not identify work-to-rule actions, go slows and bans (e.g. overtime bans), claims, fines or other indicators.



FIGURE 17.10 Job insecurity is often linked to worker demonstrations.

Disputes are more common in large businesses where relationships and communication between employees and management tend to be more impersonal, and the scope for mistrust and misunderstanding is greater. It should be noted that industrial action is not necessarily experienced in every workplace. In more than two-thirds of Australian workplaces, workers have never taken industrial action. More covert manifestations, however, such as high absenteeism or low productivity, are more common.

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Syllabus area 4
Topic 5
Concept 3

Indicators: absenteeism, accidents and disputes
Summary screen and practice questions

17.2.7 Worker satisfaction

Employee satisfaction is a key factor in employee commitment, job performance and staff turnover. Employee satisfaction surveys are useful in helping employers measure and understand how their staff feel about their work, their management and the culture of an organisation. They can be undertaken using paper surveys,

online polls, focus groups or external consultants, and supplement data from performance feedback and exit interviews. Such surveys can be used to improve management style and processes, benefits and rewards systems, the physical working environment, employee relationships, and other employee needs.

Employee feedback needs to be confidential and analysed by professionals qualified to interpret such feedback. Managers need to track, communicate and act upon the results.

Although pay is an important factor in choosing a job, it is not that significant in employee satisfaction, unless there are significant pay differentials in the workplace.

In fact, employees who have good relationships with co-workers, enjoy their work activities, receive relevant training that allows them to do their job well, and gain opportunities to grow are more likely to be satisfied and stay with the business.



FIGURE 17.11 A recent survey showed that salary, proximity to home and job security are key motivators when looking for a job. It also showed that bad management, not feeling appreciated, wanting a new challenge and too much stress were the top reasons people sought alternative employment. Overall, the survey found that 6 out of 10 Australians were happy in their job.

BizFACT

In 2017, US travel technology firm Expedia recieved an award acknowledging its high levels of employee satisfaction. Reasons given by staff were its office layout, which includes table tennis tables, gaming consoles and a cocktail bar. But more importantly it was the culture and career opportunities that impressed both existing staff and those interviewed upon their separation from the business.

Effective leadership is one of the most important influences on employee satisfaction, particularly when employees feel recognised and encouraged, where management is transparent, promotion is merit based, and communication is honest and respectful. The quality of management is also a critical factor in employee satisfaction and retention, particularly with a widespread view in Australia that management is 'all talk and no action'.

Employee satisfaction is improved by matching the purpose of the business with the skills and cultural fit of the employee.

Employees who indicate emotional exhaustion with the job, particularly if it impacts on family life, are often less satisfied with work. Employees value a family-friendly culture, adequate breaks during the day, effective resourcing to do their job, rewards for effort and performance, opportunities for sabbaticals or 'leave' options, and workplace wellbeing strategies such as a gym.

Support for emerging leaders is also appreciated by employees. Ongoing training and mentoring or coaching is much more effective than pay differentials in fostering employee commitment.

It is the holistic approach to employees, which values and cares for them, that is the most effective in building commitment, satisfaction and retaining effective employees.



FIGURE 17.12 Employees are more satisfied and committed when given continuous 'on the job' training for competencies rather than offsite training.

Case study: Evaluating human resource effectiveness at Fine Wines

Michael, the human resources manager at Fine Wines concludes his presentation to the other managers in the business and comments, 'So, the major problem we have at the moment is this persistent absenteeism across the business'.

'That would appear to be the case Michael but how do we compare to our competitors? Is it an industry-wide issue or just a problem we have?' asks Lara the CEO of the organisation.

'Well in the finance section it's mostly the parents with young kids', offers Ryan.

'Not in my department', says Caroline, the marketing manager. 'The ones taking time off, especially on a Monday and a Friday are the graduates — they want to party all weekend and then have their recovery on a work day!'

The group finds this amusing.

'What about the operations department?' asks Lara.

'Well', replies Spiro, the operations manager, 'with us it's the young single blokes, the older blokes or those that are married seem to get it — you work and then you only have days off if necessary'.

'What about the women in your department?' asks Lara looking in Spiro's direction.

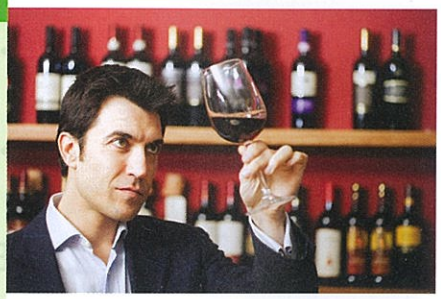
'No dramas there — in fact their attendance is excellent. Even if they don't feel well, they drag themselves into work. As a matter of fact during the winter just passed I had to tell a few of them they needed to go home and rest. It's not the high rates of absenteeism but more that they come to work when they shouldn't!' replies Spiro.

'In my department it tends to be the older permanent workers that are away the most. The contractors are never a problem', Jane, manager of IT, offers.

'So, across all the departments it seems that absenteeism exists among certain groups of workers. We don't seem to have dealt with the problem. I am curious about this, especially why it is happening. Michael, I recommend you get everyone in your department together, investigate the problem in greater depth and get back to us all at the next meeting', Lara instructs.

'All good, Lara I'll get onto it', Michael replies.

SNAPSHOT



'. . . across all the departments it seems that absenteeism exists among certain groups of workers.'

SNAPSHOT QUESTION

Organise groups and allocate a role to each as a member of Michael's HR team at Fine Wines. Each group should discuss the effectiveness of human resource management in the business with respect to the issues identified and recommend strategies that the HR team could present to the CEO to address the problem. Present the findings to the class.

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Syllabus area 4
Topic 5
Concept 4

Indicators: worker satisfaction
Summary screen and practice questions

SUMMARY

- Absenteeism is measured as the average rate of employee absences on an average day, without sick leave or leave approved in advance.
- High levels of absenteeism and/or lateness may indicate that workers are dissatisfied or that there is conflict within the workplace.
- Around 5.3 per cent of Australia's 12 million employees experience a work-related injury or illness each year.
- A low level of accidents, as measured by the Lost Time Injury Frequency Rate (LTIFR), indicate effective human resource management strategies.
- Employers need to closely monitor both overt and covert manifestations of industrial disputes to evaluate relationships in the workplace.
- Employers should be concerned if a number of formal grievances are reported, as they are an indicator of poor quality relationships in the workplace and can be very damaging if they attract media attention or move through the legal system.
- Employee satisfaction is a key factor in employee commitment, job performance and staff turnover.
- Employees who have good relationships with co-workers, enjoy their work activities, receive relevant training that allows them to do their job well, and gain opportunities to grow are more likely to be satisfied and stay with the business.
- Employee satisfaction is improved by matching the purpose of the business with the skills and cultural fit of the employee.

EXERCISE 17.2 REVISION

1 The absenteeism rate at Extracus Minerals has increased by 78 per cent over the past 12 months. **Identify** the possible causes of the increase.

2 (a) In small groups, **discuss** whether it is acceptable for an employee to take a 'sickie':
   (i) to care for a sick child or elderly parent
   (ii) to farewell a friend about to leave for an overseas holiday
   (iii) because they feel unappreciated at work.
   (b) **Summarise** your responses and present them to the rest of the class.
   (c) **Compare** your responses with those from other groups.
   (d) **Analyse** the groups' responses.

3 **What** are the direct and indirect costs of accidents and injuries in the workplace?

4 **Propose** a practical strategy to ensure young employees apply work health and safety rules effectively.

5 **Account** for the use of covert types of industrial conflict by (a) employees and (b) management.

6 **Why** are industrial disputes more common in large businesses?

7 **Why** is the level of industrial disputes an important indicator for the effectiveness of a business's human resource management strategies?

8 **Identify** the major factors that lead to employee satisfaction in the workplace.

9 **Evaluate** the effectiveness of employee satisfaction surveys.

10 (a) **Discuss** the issues that should be considered in designing an employee satisfaction survey.
(b) **Construct** an employee satisfaction survey for a workplace that you are familiar with.

EXERCISE 17.2 EXTENSION

1 **Explain** how you would develop your own future workplace to maximise employee satisfaction, performance and retention in a cost-effective manner.

2 Jasmine manages a printing business, which is now merging with a large stationery business. The new business's location is half an hour's drive north of the current location, which is in an inner suburb of a large city, close to public transport. Jasmine and her new partner, Paul, will both reduce their workforce by one-third and merge their staff. The new structure will have several sections including printing, customer sales, accounting and finance, and warehouse and distribution. Significant change will occur.
(a) **Discuss** some of the human resources issues that may arise during the change.
(b) **Analyse** how the human resource managers may be involved in each step. **Determine** all the things that will need to change, such as production systems, and 'people management' issues involved in merging two workforces, such as teamwork, communication and resistance to change.
(c) **Recommend** a communication strategy for Jasmine in the merger and **identify** its benefits.

3 You operate a travel agency, Worldover, employing 50 staff in a flat management structure. You employ four managers, responsible for customer service and sales, administration, marketing, and finance and accounting. Staff turnover in sales and customer service is 45 per cent, in administration and marketing it is 10 per cent, while the accounting and clerical staff has remained largely intact over the past decade. Staff turnover is high during the first weeks of employment. Staff in customer service are frequently involved in disputes with administration and marketing staff. Although there has been no real decline in customers 'walking through the doors', sales have fallen 30 per cent in recent years. Feedback from customers indicates that frequent errors are made in bookings, and that service is not consistent.
(a) **Recommend** possible solutions for the business's problems.
(b) **How** could staffing needs be more effectively planned?
(c) **Create** a grid-based rewards system showing the short- and long-term financial and non-financial rewards that may help you improve customer service.

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Digital doc: Chapter Summary (doc-24819)

Interactivity: Chapter crossword (int-7181)

Interactivity: Multiple choice quiz (int-7182)

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Sit HSC exam

Human resources

MULTIPLE CHOICE QUESTIONS

1. An employer, for legal purposes, does which of the following?
   (a) Exercises control over employees
   (b) Determines the degree of supervision required for an employee
   (c) Has the responsibility of the payment of wages
   (d) All of the above
2. The four main elements of the human resource cycle/staffing process are which of the following?
   (a) Acquisition, development, managing diversity and separation
   (b) Acquisition, recruitment, motivation, maintenance and separation
   (c) Acquisition, development, maintenance and separation
   (d) Acquisition, development, maintenance and performance management
3. Which of the following would not be considered a potential advantage of outsourcing?
   (a) Lack of quality control
   (b) Access to experts
   (c) Cost savings
   (d) Expand capacity
4. Which of the following correctly describes awards?
   (a) Collective agreements that set out wages and conditions of employees
   (b) Legally enforceable formal agreements made by employer and employees at the industry level
   (c) Collective agreements made at a workplace level with an employer
   (d) Agreements made between an employee and an employer
5. Which of the following features are not part of an employment contract?
   (a) Duties
   (b) Location of the workplace
   (c) Bonuses
   (d) Trade union membership
6. Benefits employers gain from demonstrating corporate social responsibility in managing staff include which of the following?
   (a) Improved staff retention and reduced absenteeism as staff feel more valued
   (b) Business costs are reduced through reduced claims and fines
   (c) Reduced training and marketing costs
   (d) All of the above
7. Performance management includes which of the following?
   (a) Developing strategies to improve the way a business operates to improve efficiency
   (b) Systematically evaluating and managing employee performance in order to achieve the best outcome for the business
   (c) Planning for future human resource needs both at the managerial and non-managerial level
   (d) Designing a job and how it will interact with other jobs and employees in such a way as to motivate and retain an employee
8. Which of the following represents a non-monetary reward for employees?
   (a) Bonuses
   (b) Superannuation
   (c) Allowances
   (d) Challenging work
9. What is the term for an unresolved dispute that requires the Fair Work Commission to make a legally binding decision?
   (a) Conciliation
   (b) Grievance procedure
   (c) Negotiation
   (d) Arbitration

10. Which of the following are indicators used to evaluate the effectiveness of human resource management?
    (a) Absenteeism, staff turnover, workplace injuries, industrial disputes
    (b) Inventory turnover, sales per employee, industrial disputes, labour costs
    (c) Workplace injuries, staff turnover, sales per employee, profit margins
    (d) Industrial disputes, absenteeism, labour costs, marketing costs

SHORT RESPONSE QUESTIONS

1. (a) **Define** the term 'human resource management'. *2 marks*
   (b) **What** is the role of human resource management in business? *4 marks*
2. (a) **Why** is work–life balance important for employees? *2 marks*
   (b) **Propose** strategies for managing employees' work–life balance. *3 marks*
   (c) An accountant is often late for work, his productivity has decreased and some clients have complained that he is slow to respond to their requests. As a human resource manager, **analyse** how you would handle this situation. *6 marks*
3. (a) **Outline** two ways in which governments influence human resource management. *2 marks*
   (b) **Distinguish** between an enterprise agreement and an individual contract. *4 marks*
   (c) **Explain** the workplace dispute resolution process. *6 marks*
4. (a) **List** three indicators of the effectiveness of human resource management. *3 marks*
   (b) **Evaluate** strategies used to support more effective human resource management. *6 marks*
5. (a) **Describe** the process of human resource management. *2 marks*
   (b) **Distinguish** between performance appraisal and performance management. *4 marks*
   (c) **Propose** a set of guidelines an employer may use to eliminate discrimination in the workplace. *6 marks*

EXTENDED RESPONSE QUESTIONS

1. Cooper is the sales manager at Morgan's Cycles. At the weekly breakfast meeting he indicated there had been a substantial decrease in sales in the current financial year. He claimed the marketing staff were directly responsible for this decline and stated that consequently jobs may be lost. Many members of the sales team were disappointed with Cooper's comments and some were quite angry. The previous year's sales had exceeded the company's target but Cooper did not acknowledge it at the meeting.

   Brian, the chief executive of the business, hears of the tension in the sales department and hires you to write a business report where you:
   - **outline** the interdependence between marketing and human resources
   - **recommend** strategies for more effective human resource management
   - **evaluate** indicators of the effectiveness of human resource management.
2. David has been newly appointed as the human resource manager for a national golf club manufacturer. He meets with the managers of each of the key functional areas and notes that in particular there appears to be problems with the operations processes and that more generally workplace culture seems poor.

   He has seen the outdated machinery in some parts of the factory and workers reported to him at the time that it produces equipment of low quality. Where newer machinery has been introduced there appears to be a mismatch between worker skills and the capacity to use the machines effectively. He has also heard there are often accidents in the factory. Workers appear dissatisfied and are threatening industrial action.

   David contacts you to write a business report. In your report:
   - **outline** the operations influences that may have affected the business
   - **explain** how effective operations strategies will help the business sustain its competitive advantage
   - **analyse** how understanding human resource processes can address the business's corporate culture.
3. **Assess** the advantages of a diverse, culturally competent workforce for a global business.
4. **Analyse** the causes of workplace disputes and the strategies used to resolve them.

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Digital doc: Sample HSC Business Report (doc-14150)