Stanley Workforce Management

Your guide to managing recession risk

For real **ROI,** use STANLEY®

Contents

Introduction

When cabinet ministers and former economic advisors to the prime minister start referring to the current global recession as the 'most serious for over 100 years', we can be sure that very many businesses are indeed experiencing 'seismic events'.

With the UK economy expected to shrink faster than any other advanced nation and unemployment set to exceed three million within a year, everyone from the blue chip chief executive to the SME owner-manager is facing up to the harsh realities of recession, dare we say depression?

It's against this background that workforce management solutions suddenly have an even more important role to play. If the day to day performance management and operational efficiency of employees and resources is the key to success during boom times, it becomes even more critical when a business's very survival may depend on it.

This paper examines the importance of workforce management solutions in a recessionary climate and how the key to improved business performance lies in having accurate 'real time' human capital information and detailed analytics to make use of that data. It explains why it is so important to identify in advance the capabilities and return on investment expectations of your system, and addresses some of the ways in which workforce management can help manage businesses through these unprecedented economic difficulties.

A workplace in change

Long before the current economic crisis took hold, the landscape of the British workplace had already changed beyond all recognition. The 'nine to five' culture of most offices and factories had long gone as new commercial challenges, increased competition, government legislation and lifestyle considerations had all taken their toll on traditional working practices.

In the 21st century, it became all about 'work performance' and workforce management solutions was the technology by which managers could suddenly access real-time information to help deploy and manage staff and resources more effectively and efficiently.

The irony perhaps is that in the current climate, workforce management systems have never been more pertinent. The accurate real time workforce data and detailed analytics that help control the forecasting, scheduling, staffing and management of a successful, profitable organisation, have become a godsend to help guide and influence operational decisions during a recession.

The greater the human capital information, the better a business is equipped to tackle today's challenges; cutting costs, stabilising downturn, reducing absenteeism and managing productivity.

"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

For any company looking to invest in a workforce management system, the most important consideration is exactly what capabilities they want from the technology. They need a clear idea of what information they most require, which areas of the business would most benefit from improved workforce data and performance, and what ultimately they want to achieve with that information at the end of the process.

Currently, some of the most likely considerations will be the identification of where inefficiencies or wasteful processes exist, where labour costs or spiralling overtime can be reduced, how unscheduled absenteeism can be managed, and, dare we say it, where potential redundancies can be made.

Any organisation implementing a workforce management solution has a desire to see measurable benefits to its business but return on investment can only be assessed if the measurement criteria are identified upfront and the workforce management solution is accordingly tailored to your organisation's specific circumstances and requirements.

Making the right choice

With a fully automated workforce management system now becoming such a critical business tool for so many organisations, how does a company decide which of the many systems available on the marketplace is most suited to their requirements?

As outlined at the outset of this paper, a situation analysis of where your business currently sits and a clear idea of where you want to be in the future will help to refine the selection process.

Your current situation:

Employee structure

In order to improve staff scheduling and productivity, to match resources more effectively to demand, to reduce labour costs and, if necessary, to consider laying off temporary or even permanent staff, a business must first have a detailed breakdown of its employee make-up.

Q1	How many employees are full time salaried, part-time or on flexitime?
Q2	How many contract, temporary or agency staff do you employ?
Q3	What is the blue collar/white collar split?
Q4	What are your different schedules and shift patterns, your proportion of remote and home workers?

Until you understand your overall workforce demographic you are inadequately prepared to start planning wholesale changes to its composition.

Time Recording

In order to improve the effectiveness of time reporting and to more accurately report on productive and non-productive workforce time, analysis is first needed of your existing time reporting systems.

Q1	How is time currently recorded?
Q2	How is lateness/leaving early recorded?
Q3	Do you have a policy in place to encourage good time-keeping?
Q4	How are breaks monitored and managed and what is the company's policy regarding break times?
Q5	How much time is spent recording hours worked and who is involved in this process?

Absence Management

The curse of many organisations, unscheduled absenteeism can have a profound, measurable and negative impact on productivity, profitability and staff morale and can only be addressed through robust absence management processes.

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

CIPD Annual Survey Report 2008

Q1	How is absence recorded?
Q2	Are the causes for absence recorded?
Q3	Is the same system used for both long term and short term absence?
Q4	What are your policies for dealing with short term absence?
Q5	Do you conduct 'return to work' interviews or have 'trigger points' for identifying persistent offenders?

Before considering a workforce management system that can help address absence management, employers must at least recognise the scale of their current absence levels and try to qualify the direct, and indirect, cost it is having on the business.

Pre-Payroll Processes

Payroll is not just about understanding how staff are paid but also about identifying and understanding the accuracy of existing payroll processes.

Q1	How often is payroll run – monthly or weekly?
Q2	How long does it currently take to run payroll?
Q3	Who is currently involved in the payroll process?
Q4	How many errors do your current processes lead to?
Q5	How often do you need to rectify manual errors?
Q6	What is your overtime policy and how is it calculated, monitored, authorised and managed?

Businesses must consider how many errors their current processes lead to, how many queries they are potentially dealing with each month and what the cost of this is in terms of increased administration.

Management Reporting

Organisations must decide whether their current reporting procedures are an unwieldy and unnecessary administrative burden or an effective mechanic for providing clear real-time management reporting and impactful decision-making tracked against management KPIs.

Q1	What reports do you currently use and what are they used for?
Q2	Who are the reports usually distributed to?
Q3	How time-consuming is it to produce management reports using current systems?
Q4	Are reports standardised or can ad-hoc, customised reports be produced?
Q5	Do reports enable you to access workforce data in near real-time or is there a time log?

Your intended situation:

Once you've carried out a comprehensive situations analysis as outlined, and identified in advance what capabilities you require from your workforce management system, you can start out with clear expectations about what your investment might ultimately deliver. Some of the immediate return on investment examples would include:

Improved labour management

Analytical reports allow managers to spend less time and money creating reports manually, and once they have real-time access to information about employees, they are better equipped to proactively control and manage workforce attendance, absenteeism and productivity.

Improved labour management is the first step towards delivering major cost reductions and improved efficiencies. Today's sophisticated management tools are designed to cope with the increasingly complex demands on resource planning and staff rostering and to analyse real-time business critical information such as the productivity of specific departments within a factory or cost-centres within a business. This can then dramatically improve workforce planning so that resources are more accurately matched to customer demand and deadlines.

"Replacing our existing manual recording mechanisms with a web-based workforce management system we achieved our target savings of over 2% in the first year through reduced HR costs and improved information control, and a return on investment of over £1,200 per week."

Leading UK medical firm employing over 400 staff across 18 sites

Reducing or eliminating payroll errors

Payroll errors including overpayments are for the most part attributed to human error in data entry and can therefore be virtually eliminated using automation. As your organisation's annual wage bill is probably a large proportion of your overall turnover, even reducing a payroll error rate by 2% can have a significant impact on a company's profit and loss and deliver immediate return on workforce management investment.

Reducing lost time

Lost time from late arrivals, early leavings and extended breaks usually amount to around 5 minutes per employee per day. Over the course of the year this amounts to a lot of working time lost but much, if not all, can be identified, accurately calculated and then addressed, using automated time and attendance processes.

Reducing pre-payroll process time

Because the manual data entry process is eliminated, automation streamlines the entire process so it takes less time for employees to fill out timecards, for supervisors to review and approve them and for payroll to enter them. This frees up people in the finance or payroll department to be reassigned to more value-added tasks. They have more time to spend on other core activities for example credit control activities which can have a positive impact on a company's cash flow.

Empowering employees to take control of their own time management can also have major benefits. Providing them with online self-service functions, enabling them for example to input their own holiday, time in lieu or annual leave requests, can save time, reduce costs and significantly improve staff motivation, satisfaction and ultimately retention.

In these difficult economic times, the need for cost savings and the necessity to see quick and quantifiable return on any investment have great significance. However, when people's jobs are on the line and the very future of a company's employment structure is at stake, the availability of quantifiable workforce data to help measure and analyse costs takes on a much more critical and urgent dimension. Decisions and actions based on these outputs can have far-reaching consequences, over many years, for both employers and employees alike.

Redundancy as a last resort?

With daily redundancy announcements affecting more and more businesses and figures in January 2009 suggesting that almost half of all UK firms plan to make some staff cuts in the coming months, the Chartered Institute of Personnel and Development (CIPD) has announced that redundancies should only be used as a last resort.

It has developed a formula estimating that the real cost of redundancy can reach £16, 375 per employee laid off, even before hidden costs like higher labour turnover and a fall in staff productivity are factored in.

"While accepting that redundancy is a fact of economic life, there is a strong business case for doing everything to always make redundancy a last resort. Employers tempted to make people redundant on the assumption that this is the most straightforward way to cut costs are being short-sighted."

John Philpott, chief economist CIPD

The CIPD's advice is that employers should 'hold their nerve' and focus on retaining talent and investing in the skills of their people who will ultimately add value and keep businesses competitive. However, most employers would argue that this 'jam tomorrow' strategy is untenable whilst their businesses sink further into trouble.

Here though is a prime example of where a workforce management system can provide accurate, real-time information on personnel and processes and help provide some qualitative analysis on whether or not redundancies can be cost-effectively justified.

"A survey of 140 UK employers, with a combined workforce of more than 34,000 staff, showed that 42% do not attempt to manage staff retention and over 70% of employers believe employees' departure from the organisation has a negative effect on business performance."

CIPD Annual Survey Report 2008: Recruitment, Retention and Turnover

Furthermore, as well as being a management tool that can tackle negative aspects such as poor performance and widespread absenteeism, workforce management can also play a positive role in talent management. It can identify the highest achievers, ensuring that not only are the best people retained but that they are encouraged and motivated through proper career paths, succession planning, reward and incentivisation schemes.

The more motivated the staff, the greater their productivity, whilst improved staff retention rates avoid the expense, inconvenience and disruption involved in recruitment.

"In the UK it costs on average £4667 to replace an employee and £10,000 for a senior manager."

CIPD Annual Survey Report 2008: Recruitment, Retention and Turnover

In other words, tackling poor performers head on and removing them from the workforce as part of a change management programme may be one tactic, but in these challenging economic times it is just as important to nurture talent and ensure employees don't jump ship and join a competitor.

Keeping abreast of employment legislation

As employers struggle to stay on top of the various business challenges that the economy now throws at them, another area at risk of being increasingly compromised is adherence to employment legislation, particularly with such a wide range of flexible working patterns now in place. Here too an automated workforce management system can alleviate the pressure, eliminating much of the time-consuming administrative burden that manual monitoring and data input requires.

Today's much improved work rights and conditions mean that employers now have a legal obligation to accurately report all of their staff's working hours in compliance with the European Working Time Directive, UK Working Time Regulations and the Work & Families Act 2006.

If the requirement to capture reports on an extensive range of work patterns and schedules, in order to provide irrefutable employee time records in the event of a dispute, is not demanding enough, keeping up with rapidly changing legislation could prove a step too far.

For example, the government's decision to extend the right to request flexible working hours to every employee with a child up to the age of 16 (it was 6 or under), is scheduled to come into place in spring 2009. Only with an effective workforce management system can many organisations hope to administer the HR headache that will potentially be caused by an extra 4.5 million UK parents fulfilling their entitlement to flexible, remote or part-time working patterns.

Similarly, a recent European Court of Justice (ECJ) ruling that workers can accrue four weeks holiday per year even throughout any period of sickness absence, and must be allowed to take it on their return to work, could create significant financial liabilities and practical ramifications for many employers and will also require careful workforce management.

Businesses have an obligation to ensure that all staff are treated equally, whether that's in terms of the application of payroll processes or of disciplinary procedures, and they must start to look at just how compliant they are with new industry regulations and legislation governing workforce management. Grievances, audits and fines can be expensive so providing proof of compliance with an automated system can minimise business risks and costs.

If you are struggling, for example, to keep track of whether full time staff on 'annualised hours' contracts are actually working their appropriate number of hours, or you find yourself increasingly involved in staff disputes over pay queries or holiday allowances, all the signs are that a more robust workforce management system is now required.

Conclusion

The concept of a workforce management system was never intended to be a catch-all solution to the economic problems created by a recessionary climate. The need for day to day performance measurement and the efficient management of employees and resources is integral to any business success, whatever the external market conditions or influences.

However, there is no doubt that in this unprecedented economic climate, the benefits of workforce management have been brought into even sharper focus, and whilst some businesses may worry about whether they can afford major capital investment in new products this need no longer be a compromising factor.

On the contrary, investment in new technology can actually play a part in driving down costs. Web-based technology, for example, allows businesses of all size to gain technology that was once only available to businesses with larger budgets. Making systems available over the internet using a data-hosting facility eliminates the need for IT infrastructure and software installation and means in-house maintenance and data security need no longer be a concern. The technology also removes the burden of management, freeing up key personnel to concentrate on more productive activities and running the business.

Even if a workforce management solution falls outside of a business's budget, there are flexible finance partnerships available that can secure the very latest technology. Manageable and regular payments on all new systems can, by covering all lifetime costs, enable companies to keep up with all the business benefits of a state of the art system but with none of the risks of ownership.

Valuable capital is also much better spent on profit generating areas rather than investment in rapidly depreciating assets and any finance arrangement that assists with improved cash-flow, tax efficiency and accurate budgeting can further enhance business performance.

When business continuity, indeed survival, may depend on critical workforce management-based decisions, it's essential to get the choice of system right. Selection and implementation of the most appropriate system, and the most effective financing of the investment, requires a company's utmost consideration and commitment.

Security Solutions

Stanley Security Solutions
Stanley House, Bramble Road,
Swindon, Wiltshire
England SN2 8ER

Telephone: **0870 841 3020**
Fax: **01793 615848**
Email: **info@stanleysecuritysolutions.co.uk**
www.stanleysecuritysolutions.co.uk