"Employees: Asset or Liability?"

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This paper sets out an analysis of the UK replacement window industry's staff turnover and absenteeism. The work was carried out as a result of a two-year research programme within one of the industry's medium size operators, where the researchers found a very high level of turnover and absenteeism. Following a discussion with other industry representatives it became clear that this was not an isolated problem, but one which could be widespread. It follows that this industry may have a distinct lack of appreciation, and more importantly the understanding of the implications and effect of both turnover and the relatable issue of staff absenteeism.

Key Works: Staff turnover, Absenteeism, Productivity, HRM

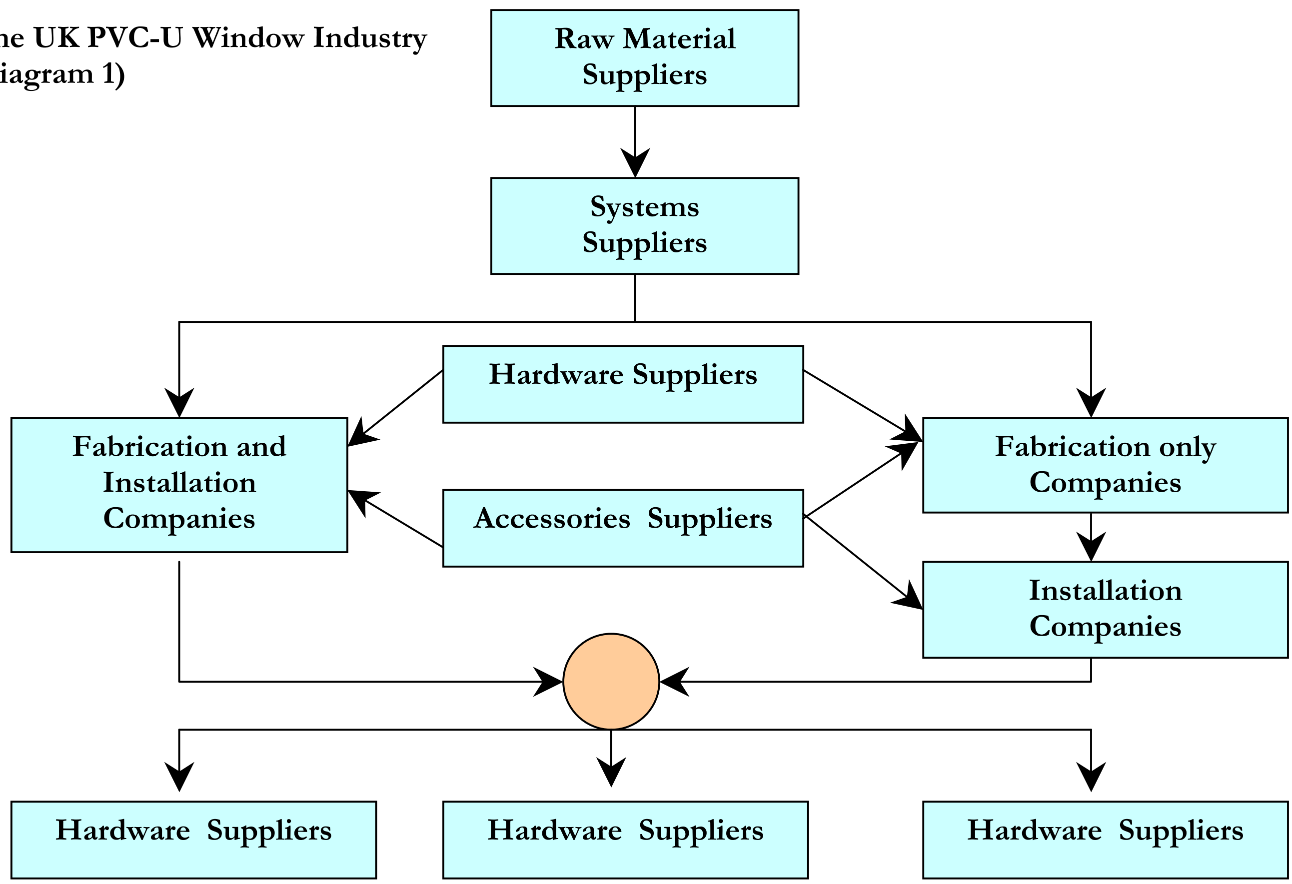
Introduction

The window fabrication industry has developed through the 1980s and, after the recession of the early 1990s, has had a rapid period of growth into a market that today has developed into two separate segments. The first is that of domestic, dominated by two key players. The second is the commercial market, also dominated by the two same key players. The UK commercial market in

1998 was worth £400 million and had grown to £450 million by 2001. The market's dominant player at present is Anglian Home Improvements, who hold a 20% share. The middle market in both sectors is characterised by 20-30 medium-sized fabricators who have a tendency to remain in one sector, either that of domestic or commercial. When they do occasionally compete, the contention is made in the new build sector. Following these players are the hundreds of small replacement window fabricators in the UK who solely operate in the domestic market.

Today the market is reaching a point of maturity and saturation (Mintel 2003). Of interest is the level of UK PVCu raw material consumption, which for the last 15 years has been at a constant usage rate in the region of 150,000-200,000 tonnes per year. What does characterise the UK replacement window market, in comparison to its European counterparts, is the intense rivalry amongst a large range of small fabricators supplemented by the disproportionately large number of Fabrication Systems suppliers, of which there are approximately 20, each producing in the region of 10,000 tonnes a year. This can be contrasted with such European neighbours as Turkey who have usage rates that are of a similar level to the UK, but come from only two systems companies; a similar situation to be found in the majority of European markets.

The UK PVC-U Window Industry (diagram 1)



The Markets:

The domestic Market

PVCu dominates the UK's domestic replacement window market, being the material of choice for approximately 80% of homeowners, with the majority of this proportion through whole house replacements (R. Kent, 1999). Of the windows that are replaced over 80% were wood, 10% steel, and 8% aluminium. It is also useful to note that this market is dominated by advertising, where the two market leaders have a high market potential that is also clearly exploited by the multitude of small players.

New Build

In the early 1990s the PVCu fabricators sought new markets, targeting the softwood window market, which for many years had been dominated by the new build sector. This dominance had arisen for a number of reasons, allowing builders to improve installations on site in terms of speed, efficiency and cost. The builders had to learn to treat PVC windows with more care, a skill that was, and still is, uncommon in an undeveloped segment of the construction industry.

This market however, was starting to grow rapidly, as some of the larger construction companies building over 500 homes made a conversion to PVCu, a move motivated by the consumer, who began to view PVCu as an order qualifier. By 1998 the cost (a key lever) was £1 per window cheaper for PVCu replacements than that of the traditional soft wood windows. Two key players and a number of medium-size operators who satisfy the smaller contracts dominate this market.

The Commercial Market

This is a difficult market to define, as is the level of penetration to the market. The market splits into two clear sectors, public or social housing, and commercial buildings. In addition to this, universities and their housing programmes also form a significant sector. The level of PVCu usage in this sector is reasonably high and currently rising almost daily. It is also a sector where a number of the medium-size players have their niches and in order to compete with the two large players they are now creating collaborative supply agreements.

Industry Issues

These collaborative agreements are starting to change the industry. In the past industry rivalry has created a closed communication network, and in this helped the industry, as a whole, to develop. In the past, customers, both domestic and commercial, have traded horror stories, where quality was not an order qualifier, but was certainly a cause for problems in relation to consistency. Productivity became a distinct issue as many growing fabricators found the uncertainty in the fluctuation of the seasonality of orders too hard to plan for. The alliances that have developed as the market has matured have ensured that the medium-size organisations begin to consider the need for some form of co-operation. This report presents evidence of this, but also evidence that it has a long way to go. To highlight an early example; two of the companies participating in the study assured us of the accuracy of their survey, which showed a work force of over 100 employees with no staff leavers over the year, and with no change in the size of their work force.

Background to Human Resource Management

"Any business needs a source of labour to function" (Morrell et al, 2001). Without the human resource element it is believed that an organisation can neither grow nor develop. Storey (2001) stated that it is the management of human resources that creates "the ability to attract and hold onto talented employees" and, furthermore, "is the single most reliable predictor of overall excellence". Labour turnover is best understood as the movement of labour out of and into a working organisation (Argyle M, 1989). Employee turnover has long been a concern of organisations in many sectors noted by such researchers as Pettmen (1975), Price (1977), Mobley (1975), and Gardener (1982) who believe it largely due to a distinct lack of skilled employees. Thus, "stabilising their workforce should be seen as a worthy cause" (Gardener, 1982). However "there is as yet no universally accepted account or framework for why people choose to leave" (Lee and Mitchell, 1994). Thus organisations are limited from the beginning to understand the process after the event has occurred, which is not an accepted means by which to predict the likelihood of an individual leaving their organisation. This therefore "prohibits the prediction of turnover" (Terborg and Lee, 1984).

A recent stream of research has empirically demonstrated a significant relationship between sound-human-resources practices and financial performance. Pfeffer and Viega (1999), Heskett et al (1994), and Delerey and Doty (1996) found that three human-resources practices, namely results-oriented performance appraisals, employment security, and profit sharing, were strongly related to the return on equity and other financial measures critical to a firm's performance.

Additionally, successful American corporations such as Starbucks and Southwest Airlines have attributed their profitability to excelling in the management of their human resources, which are characterised by clear policies on employee retention and development. In this, turnover may be considered in terms of that which is available and that which is not. Calculating staff turnover should simply be achievable via the company's employment records and the payroll information. However, this has not proved to be so straightforward in practice.

The Cost of Employee Turnover

The cost of employee turnover is one that neither appears in the company costs nor financial accounts, and to all intent and purpose is “wholly concealed” (British Institute of Management, 1959). Thus many organisations still accept turnover as an inevitable fact, or a 'necessary evil'; a consequence of the employment process, and are neither mindful, nor wish to be, of the impact that a high level and subsequent high cost of turnover can have upon their organisation. Despite this there have been some proactive organisations that have recognised the ‘true’ cost of turnover and hence, have developed strategies to encourage staff retention. Singapore Airlines has a strategy aimed at obtaining an average staff retention of between 7 and 10 years for their in-flight staff, cabin, and cockpit crew. Knowing how much staff turnover costs a company would permit a realistic decision to be made about the value of investing in a programme aimed at staff retention, and how much should be committed to such an area of investment. In fact it would help a human-resource department face up to the reality of their past action. Formulae to do just this developed over the 1970s and 1980s (Cascio, 1982), and have been further refined and improved over the last decade. Most formulae include a separation cost, training costs and an estimate for lost production and/or productivity.

Wesmuth and Davis (1983a), whose research probed the US hotel industry, uncovered that although most managers interviewed during their research understood that turnover was costly, few had any strategies in mind, let alone in place, for managing staff turnover. Furthermore, Wesmuth and Davis (1983b) discovered that most managers felt they had no way of actually measuring the impact of turnover on their bottom line. Using a model adopted from Cascio (1982), Wesmuth and Davis (1983c) estimated that the average cost of replacing an hourly line employee was $1,500, increasing to $3,000 for salaried staff. Goss-Turner (1989) found that the cost of staff turnover ranged from £750 to £4,500, and Lashley and Chaplain (1999) that replacement costs were between £735 and £5,008 in 1996-7. Even more relevant is the Chartered Institute of Personnel and Development's yearly report on Labour turnover that reports a cost of £1,550 per operative and assembly manual worker, increasing up to £6,600 for management within the manufacturing sector (CIPD, 2003). Another view from a recent report in Personnel Today (Wigham, 2004) by Momentum Financial Services estimated the cost of staff turnover to UK organisations as being £48 billion per year, and to represent 17.9% of the workforce.

Managing Absence

The burden of employee absence on business has been a subject of intense research in recent years. The Confederation of British Industries (CBI) estimated that the annual cost of sickness absence in 2002 was £11.6 billion, a cost of £476 per employee (CBI 2002). But this cost only scratches the surface of this problem. A high level of absence can and does lead to the resultant increase of workload on remaining employees. This increase in pressure and stress leads to a reduction in morale and a decrease in employee satisfaction, and a potential decrease in customer satisfaction.

The management of absenteeism within an organisation can only be possible through effective measurement, and through the understanding of the unique problems and causes in the workplace, resulting in the effective implementation and use of relevant tools and measures to help record and control the issues and problems observed. In an industry where companies have a widespread shortage of skilled labour, it becomes increasingly vital that organisations retain the skill base already present in the workforce. Whilst some level of staff turnover is inevitable and perhaps desirable, if staff turnover is too high skills will inevitably be lost to competitors. If, alongside this, the organisation fails to retain the skilled workforce for a reasonable tenure, it is unlikely that they will be able to give the employees the knowledge and skills to ensure that production of a quality product is maintained.

These factors must be taken into consideration and firms within this industry must start to measure and manage their absence and turnover issues to ensure that systems can be developed and action be taken to not only manage this area, but to excel in it, in order to maintain reliable staffing levels. If companies fail to recognise, and in turn develop, policies and practices in line with their levels of turnover and absenteeism, they will incur increasing levels of direct costs and a subsequent decrease in output and/or quality of product and service offered to their customers. Therefore to remain competitive, it is essential that management be trained to cope effectively with this area.

Methodology

The research was carried out in the late summer of 2003, when 85 PVCu replacement window fabricators were contacted by phone and a short interview was carried out with a senior manager to explain the rationale of the survey, how it would be carried out, what it would involve, and what was to be investigated. This was extended through the explanation that a forum would be held to discuss the results with all interested parties and that the results would be supplied free of charge to all participants. The survey questionnaire (Appendix 1) was sent out in the autumn of 2003 to 15 companies, of which 9 have currently fully completed and returned, representing a wide range of the medium-size fabricators. These organisations were drawn from locations across England (Diagram 2).

Table 1: Company Turnover		**Table 2: Geographic Location**		**Table 3: Size of Shop Floor**	
£0 - £5M	2 companies	South East	5 companies	1 -25 employees	0 companies
£6 -£10M	1 company	South West	1 company	26 - 50 employees	3 companies
£11- £20M	3 companies	London	1 company	51 - 75 employees	2 companies
£21 - £50M	3 companies	East of England	2 companies	Over 75 employees	4 companies

Diagram 2: UK Locations

Limitations of this report

This report has some limitations, the first and most obvious being the size of the sample population. The second is the nature of the location and the levels of employment, which might have an effect on available employment opportunities and the culture of employment. For example, two of the sample organisations that were located in the southeast region were situated in one of the poorest regions of the southeast (as set out by the government) and therefore an area with a number of attractive benefits available to companies.

None of the data has been in any way weighted. Thus, as both labour turnover and absence are based on number of workers employed, this may result in bigger companies having disproportionate influences on the rates. The surveys returned showed a clear lack of understanding in how to gather the information and 7 of 9 companies had to be contacted to fully complete the form, and on contact, 2 companies could still not provide, or understand, the information that was being requested. Finally, as mentioned at the start, there must be some doubt as to the reliability of the survey data in relation to the level of turnover. This could be perceived as a response to the resistance, as previously mentioned, to supply information that could help a competitor, and secondly that the Research Centre collating and distributing the data is part of a Business School known, by many in the industry, to have close links, due to a UK Government Teaching Company Scheme (TCS), to a large fabricator taking part in the study. This effect was softened to some degree when each organisation was contacted and assured that all the information was confidential and that the results would be presented at a forum to which all companies would be invited to receive a presentation of the report.

Labour Turnover 2002/2003

Labour turnover calculates the 'churn' of employees in an organisation over a specified period. Organisations were asked to state the number of *factory* employees on their payroll at the 1^{st} of April 2002 and at 31^{st} March 2003, along with the total number of weekly paid employees (factory) on their P35 end of year tax return for April 2003, to include those who had left.

Labour turnover was calculated by the following separation formula:

$$\frac{\textbf{Total number of leavers}}{\textbf{Average number employed}} \times 100$$

The level of labour turnover reported from this survey is 44.9%

Table 5.1 Staff Turnover - Whole Sample.			
Total Leaver over one year 303	Turnover rate	No of companies	No. Of employees
303	**44.9%**	**7**	**674.5**

Table 4.1: By Turnover

£0 - £5M	40% (2)
£6 -£10M	18% (1)
£11- £20M	52% (3)
£21 - £50M	40% (1)

The turnover levels observed show that turnover is at a significant level of between 40% and 50%. The level of turnover does not appear to vary substantially with the size of organisation, and the larger organisations, those with a turnover of £11million and above, appear to have the more pronounced issues.

Table 4.2: By Geographic Location

South East	60.4% (4)
South West	37.8 % (1)
London	33 % (1)
East of England	40% (1)

Again turnover does not appear to vary greatly dependent upon the location of the firm in the country. Higher levels appear to be found in the South East and London, with the South West having the lowest turnover levels.

Table 4.3: By number of Employees

1 -25 employees	33% (1)
26 - 50 employees	30.7% (2)
51 - 75 employees	75.6% (2)
Over 75 employees	39% (2)

The size of firm appears to have little effect upon the turnover levels observed. Turnover appears to be highest in the 51-75 employee size category and lowest in the 26-50 and over 75 employee size categories.

Commentary

Only 33.3% survey participants measured staff turnover. Of these, two could not understand how to determine the number of employees on their P35 end of year tax return. 66.6% of those who didn't measure staff turnover either recorded the number of leavers within the company or knew how to access the information! No respondents reported that they 'didn't know' whether they measured staff turnover or not.

No participant viewed staff turnover for 2002/2003 as being any worse than for the same period of the previous year. Eight participants indicated that staff turnover had not increased, and one company reported that their turnover had stayed the same. The interesting issue here is that 6/9 of these companies did not record staff turnover, and therefore it is assumed could only make a decision upon this fact and on completion of the survey. Furthermore, 66.6% companies did not view staff turnover as a problem, and two of these could not provide figures as evidence to this fact. Of those who did view staff turnover as a problem (33.3%), finding skilled replacements, retraining, and seasonality of work orders were viewed as the main issues.

Labour retention Policies

Managing retention is vital to ensure the success of an organisation. Poor management, or lack of it, as observed in a number of organisations within the survey, can lead to a culture of high turnover and a poor attendance record, all of which will have a direct effect on the bottom line. Changes over the past 10 years have led to the well documented view that employment is no longer about 'a job for life', but is more concerned with employability, working environment, flexibility, empowerment, and terms of employment against performance, productivity and results. Today, management need to understand and perform in areas that consider employee expectations, sometimes referred to as the 'psychological contract', that consistently gains more and more importance as a driver towards maintaining staff morale and helping manage employee attendance or absenteeism and staff turnover.

Commentary

Out of the 9 participants involved in the survey, 7 provided information related to absence in 2002, covering 667 employees (an average of 95 per company). 66.6% participants viewed absenteeism as a problem within their company. Two of those who did view absenteeism as a major problem could not provide figures as to the severity of the problem. An interesting point here with one participant was the fact that they did not view absenteeism as a problem. However, on analysis of the data they provided, an absence rate of 5.7% and an average of 13.3 days per employee per year were reported, the second worst performer in the survey. Furthermore, even though 77.8% participants could provide figures in relation to the number of days lost to absenteeism, only two set targets for their reduction. Of these participants who had set targets, neither had met their target. It must be noted here that there were no responses ascertained as to the procedures that had been used to apply targets to their problem areas.

The ranking used: Effectiveness of labour retention policies

The respondents were asked to rank each procedure present within their organisation as to its effectiveness on turnover. These scores were then averaged out for each option and the final score provides a guide to their overall significance based on the following likert scale:

1 = no effect; 2 = low effect; 3 = some effect; 4 = quite effective and 5 = highly effective

Absence Rate

If a company intends to begin to control the level of absence it must first establish procedures to measure and record the absences of its entire payroll. Without any process and system to gather and collate this information it will simply be guess work when discussing the actual levels of absenteeism, and it will therefore not be possible to set targets and approaches for its reduction.

Labour Absenteeism was measured using the following formulae:

Average number of days absent per employee:

$$\frac{\textbf{Total Number of days lost due to absence}}{\textbf{Average of total number of employee over the year}}$$

Absence Rate:

$$\frac{\textbf{Total number of days lost due to absence}}{\textbf{Total number of days worked x Average of total no. of employees}} \textbf{ x 100}$$

Table 4.4: Labour Retention Policies

Policies	**No of Respondents**	**Significance**
Induction process	**9**	**2.8**
Pay incentives	**8**	**3.6**
Employee share options	**1**	**3.0**
Increased responsibility of position	**4**	**3.5**
Job rotation	**4**	**3.0**
Employee empowerment	**1**	**4.0**
Family friendly policies	**2**	**4.0**
Improved benefits	**4**	**2.8**
Training opportunities	**7**	**2.7**
Working from home	**-**	**-**
Exit interviews/questionnaires	**2**	**2.5**
Employee Participation schemes (e.g. quality circles)	**5**	**2.4**
Other (please specify)	**-**	**-**

(Please note total number of days worked excludes weekends, holidays (4 weeks) and bank holidays (8 days) = (364 – ((52 x 2)+(5 x 4)+(8))) = 232)

Absence - whole Sample

Table 5.1 Absence - Whole Sample.

Days absent / employee / year	Absence rate (%)	No of companies	No. Of employees
11.64	**5%**	**7**	**667**

The average number of days that each employee is absent from work, in addition to his or her normal work entitlement, was calculated at just under 12 days, with the average absence rate being 5%. This can be compared to the industry average figures for manufacturing and production of 9.7 days and 4.3% respectively (CIPD, 2003).

Absence by turnover

Table 5.2 Absence - By turnover (£m)				
Turnover (£m)	Days absent per employee per year	Absence rate (%)	No of companies	Av. no. Employees
0 - 5	5.2	2.3	2	26
5 - 10	4.1	1.4	1	34
11 - 20	13.8	5.6	3	112
21 - 50	12.4	5.7	1	235

Absenteeism rates worsened as the size of turnover increased. An interesting point to note here is that two of the companies in the over £11 million turnover bracket had introduced targets for attendance, however neither company had met these targets.

Absence by number employed

Table 5.3 Absence - By number employed				
No. Employees	Days absent per employee per year	Absence rate (%)	No of companies	Av. no. Employees
1 - 25	5.1	2.3	1	21
25 - 50	4.2	1.8	2	33
51 - 75	13.8	5.9	2	64
Over 75	12.4	5.3	2	222

Absenteeism was largest amongst those companies with significantly bigger workforces, another point confirmed by the CIPD (2003). There may be many reasons for this, from the ability to create a more personal work atmosphere to the greater reliance amongst members in smaller firms to perform.

Absence by geographic regions

Table 5.3 Absence - By Geographic Region						
Turnover (£m)	Days absent per employee per year		Absence rate (%)		No companies	Av. no. Employees
	Results	CIPD 2003	Results	CIPD 2003		
South East	9.0	9.6	3.9	4.2	4	48
South West	11.4	9.5	4.9	4.2	1	208
London	5.1	7.6	2.3	3.3	1	21
East of England	13.3	8.9	5.7	3.9	1	235

The East and South West of England appear to suffer from the more pronounced affects of absenteeism. The two companies in these areas are both large enterprises, and as commented before, there was a larger level of absenteeism found within these companies. In comparison however, the South East appears to be suffering from high levels of absenteeism amongst relatively small firms. London had the lowest absenteeism rates, however only one company supplied results for this area, and they were of a relatively small workforce size.

The Cause of Absence

There are clearly different factors influencing whether an employee takes time off work or not. These can be of both an internal and external nature, however it is the culture of the organisation and how it is managed that can have a serious effect upon these factors. Some of the more obvious factors include:

- ✓ Is the job unrewarding or badly designed?
- ✓ Is there a perceived entitlement to X amount of sick pay?
- ✓ Is the organisations sick pay scheme too generous?
- ✓ Is the job too stressful?
- ✓ Are the working conditions/environment unpleasant?
- ✓ Do employees think it does not matter if they are not being paid?
- ✓ Do the employees believe/think that if they have a doctor's note that they cannot be disciplined?
- ✓ What are the local labour market characteristics?
- ✓ What is the local culture to work?

These are just some of the many underlying reasons that may influence the level of employee attendance. The cause is therefore going to be very difficult to measure accurately, as employees will have an individual approach to their reason/justification for absenteeism. The following section outlines the result of what employers view as the cause of absence within their specific workforce to be.

The ranking used: Significance of the different causes of absence

The respondents were asked to rank each cause of absence, as they perceived it to be in their organisation. These scores were then averaged for each option and the final score provides a guide to their overall significance based on the following likert scale: 1 = no significance; 2 = low significance; 3 = some significance; 4 = quite high significance and 5 = highly significant

Table 6.1: Significance of Different Causes of Absence

Causes	No of Respondents	Significance
Unauthorised Absence	9	**3.4**
Minor illness	9	**3.4**
Serious illness	8	**1.8**
Stress, depression or other illness	9	**1.1**
Work-related accidents	8	**1.9**
Leisure accidents	9	**1.7**
Home and family responsibilities	9	**2.4**
Personal problems	9	**2.4**
Poor workplace morale	8	**1.6**
Lack of commitment	8	**2.9**
Unauthorised holidays	8	**1.4**
Paid sickness absence seen as entitlement	7	**1.3**
Drink/drug problems	9	**1.8**
Other (please specify)	-	**-**

One interesting issue worthy of note is that the lowest elements, as being identified as the causes of absence by the group was; stress, depression or other illness, whereas this is often commented on as a major cause of problems for employees to have to manage.

The most significant causes of absence were reported as unauthorised absence and minor illness, with an average significance rating of 3.4, suggesting that these have quite a high significance. Next are lack of commitment, home and family responsibilities, and personal problems, all having some significance on the cause of absence.

For any company wishing to really manage this problem, establishing a pattern of absence is of great importance. This may, as in some traditional industries, be simple and relate to the day of the week; the Monday morning syndrome, or time of the year (Easter or Christmas), or even specific events, such as an England World Cup match. However, today, absenteeism is a serious disruption to the operation of businesses in which short-term, unplanned absence usually results in a high level of daily 'fire fighting', weighed against longer-term absences, which although have their own costs and problems, can at least be seen as planned, thus being an area a company can start to manage appropriately.

However justified an absence is, and however much sympathy the employer may feel, persistent short-term unplanned absence is often too heavy a burden for a company to bear. The effects are multiple; on profits, on morale, on the level of workload (not simply of the remainder of the team, but also on the supervisors and managers), and on the increased stress of colleagues, which creates a significant issue that can be neither underestimated nor ignored. Employers and managers need to balance their understanding and sympathy towards the genuine need to be absent, but still reduce to a minimum the effect on the business, by taking appropriate steps against those who abuse the system at the direct expense of all. It is clear that this situation needs to be carefully and closely supervised and monitored. In the survey we asked questions relating to the absence control policies (see table 7.1).

The question here is what should an organisation do having established that it has a problem with absenteeism? Is there a clear-cut remedy within its current practices and procedures to reduce absences? The answer to this is **No**. There is no universal remedy, nor is there one specific one that can be 'bought off the shelf'. The methods of absence control employed by various organisations were ranked in the survey to see if they were perceived as being suitable methods for controlling absenteeism, and to what level of success.

The ranking used: Absence control policies

The respondents were asked to rank each absence control policy as they perceived its impact to be on the control of absenteeism within their organisation. These scores were averaged for each option and the final score used to provide a guide to their overall significance based on the following likert scale:

1 = no effect; 2 = low effect; 3 = some effect; 4 = quite effective and 5 = highly effective.

All of the respondents indicated that they had at least one absence control policy.

Table 7.1 Absence Policy	No of Respondents	Impact Score
Formal Notification Procedures	7	3.6
Waiting days before occupational sick pay is paid	6	3.0
Return to work interviews	7	3.9
Use of absence statistics in redundancy selection	3	2.3
Withdrawal of self-certification	2	3.0
Disciplinary action	6	3.3
Attendance targets	-	-
Attendance bonus (es)	5	2.8
Use of absence statistics in determining pay	1	4.0
Use of absence statistics in internal selection procedures	3	3.3
Pre-recruitment medicals	1	4.0
Private medical insurance	-	-
Improved monitoring techniques of absence	5	3.4
Access to occupational health services	3	2.7
Access to company doctor	3	4.0
Workplace counselling / employee assistance programme	-	-
Health checks for employees at greater risk of injury	-	-
Training line managers to manage employee absence	1	4.0
Use of family friendly policies	2	3.0
Regular contact with absent employees	6	2.3
Other (please specify)	-	-

The most effective absence control policies (those with the highest impact scores) were the use of absence statistics in determining pay, access to a company doctor, and the use of family friendly policies (all rating 4.0). However, these all had a low level of respondents, indicating that a low level of companies involved in the survey actually used them. Hence the most effective absence control policies, that also had a high level of use, were return to work interviews (3.9), formal notification procedures (3.6), improved monitoring techniques of absence (3.4), and disciplinary action taken in response to absence (3.3), which were all viewed as being effective by the majority of respondents.

The least effective policies, as ranked by the respondents, were keeping in regular contact with absent employees (2.3), and the use of absence statistics in redundancy selection (2.3).

Further Research: Some significant issues

Significant results, although not tabulated as an integral part of this paper, are worth summarising at this point. 4/9 companies in the survey had difficulty in recruiting employees, and on employment, participants reported that less than 15% of new recruits were trained or experienced. This denotes a significant cost to high turnover companies. Another interesting area is the presence of human resource systems and procedures in the companies who took part in the research. 4/9 did not have formal training programmes or wage structures. Thus, to an extent, companies within the survey are relying on the current skill level of their staff to educate and hence transfer the skills to new recruits. Within a high turnover culture this is an area in which skill levels deteriorate, with a knock-on effect upon product quality and productivity. There also appeared to be little scope for flexible working hours and family friendly policies, an area of the work-life balance growing in importance in today's work environment.

Discussion

This research is limited to the extent of the size of the sample and it is clear that the respondents had some reservations in being 100% honest with their answers. However, this is inevitably a risk in an industry survey relying on respondent honesty and postal approach. However, it is a start for an industry where, in the past, reactions have been those of distrust, from which high competition amongst each other, and a resistance to co-operative consultation, have emerged. The results have shown that there is a problem in this industry with staff retention and absenteeism, and worse, that the management do not fully record it, or understand the level to which it exists, or know how to develop strategies to combat it. Anecdotal evidence has also shown that managers have little idea what it is costing them and the other members of their industry.

If one good point has been gained from this research, it is that a level of trust towards external facilitators is developing, and industry members are now far more prepared to open their minds and company knowledge to both research work and each other. The full benefits of this work cannot be ascertained, as the results have only just been published as this conference is held, and the planned forum, to which the study's participants and other interested parties have been invited, has not yet occurred.

However, if the industry is to mature and reach its true market potential in terms of profit and productivity, the lessons relating to staff turnover and absence must be learnt, and policies must be established and embedded. How can a company accept a staff turnover of 50%, let alone 100%, a year, in comparison with the industry level of 15.2% (CIPD, 2003) as well as an absence level that equates to their entire workforce being absent for up to a period of three weeks?

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UNIVERSITY OF KENT

The Regional Centre for Business Productivity

Company name: ____________________

Address: ____________________

____

Name of person completing survey: ____________________

Company turnover
[ ] £0-5M [ ] £6-10M [ ] £11-20M
[ ] £21-30M [ ] £30M +

Instructions for completing the survey:

- Please base your answers on **factory floor staff only**
- Please base your answers on the year **1st April 2002 – 31st March 2003**

Section 1: Labour Turnover

Q1. Factory Floor only	Total	Male	Female
Number of employees from P35 end of year tax return at April 2003			
No. Employed on 01.04.02			
No. Employed on 31.03.03			
Total staff required when at full capacity			

Q2. Does your company measure labour turnover?
[ ] Yes [ ] No [ ] Don't know

If Yes, How? ____________________

____

Q3. Is employee turnover higher in 2003 than 2002?
[ ] Yes [ ] No [ ] Don't know

Q4. Is employee turnover a problem for your company?
[ ] Yes [ ] No [ ] Don't know

If Yes, what do you perceive the problem(s) to be?

____

____

Q5. Does the company use any of the following to improve labour retention and how effective is that procedure?

Rank 1-5 with a tick (where 1= no effect, 2= low effect, 3=some effect, 4=quite effective, and 5= highly effective).

Leave option blank if not applicable

	1	2	3	4	5
Induction process					
Pay incentives					
Employee share options					
Increased responsibility of position					
Job rotation					
Employee empowerment					
Family friendly policies					
Improved benefits					
Training opportunities					
Working from home					
Exit interviews/questionnaires					
Employee Participation schemes (e.g. quality circles)					
Other (please specify)					

Section 2: Absenteeism *(factory floor)*

Q6. Is employee absenteeism a problem for your company?
[ ] Yes [ ] No [ ] Don't know

Q7. Are employee absent days recorded?
[ ] Yes (follow on) [ ] No (go to question 10)

Q8. What is your total number of days lost ***last year*** due to illness? ____________ days

Q9. Does the company have a target for reducing absenteeism?
[ ] Yes, If yes, what percentage? ____________%
[ ] No

Q10. Cause of Absence
In your company, how significant are the following causes of absence?

Rank 1-5 with a tick (where 1= no significance, 2= low significance, 3= some significance, 4= quite high significance, and 5= high significance)

	1	2	3	4	5
Unauthorised Absence					
Minor illness					
Serious illness					
Stress, depression or other illness					
Work-related accidents					
Leisure accidents					
Home and family responsibilities					
Personal problems					
Poor workplace morale					
Lack of commitment					
Unauthorised holidays					
Paid sickness absence seen as entitlement					
Drink/drug problems					
Other (please specify)					

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Q11. Does the company have absence control policies? [ ] Yes [ ] No

Please indicate the policies currently in use and your indication of their success in lowering absence levels.

Rank 1-5 with a tick (where 1= no effect, 2= low effect, 3=some effect, 4=quite effective, and 5= highly effective)
Leave option blank if not applicable

	1	2	3	4	5
Formal notification procedures					
Waiting days before occupational sick pay is paid					
Return-to-work interviews					
Use of absence statistics in redundancy selection					
Withdrawal of self-certification					
Disciplinary action					
Attendance targets					
Attendance bonus(es)					
Use of absence statistics in determining pay					
Use of absence statistics in internal selection procedures					
Pre-recruitment medicals					
Private medical insurance					
Improved monitoring techniques of absence					
Access to occupational health services					
Access to company doctor					
Workplace counselling/Employee Assistance Programme					
Health checks for employees at greater risk of injury					
Training Line Managers to manage employee absence					
Use of Family Friendly Policies					
Regular contact with absent employees					
Other (please specify)					

Section 3: General *(factory floor)*

Q12. Do you have difficulty in recruiting employees?
[ ] Yes [ ] No

Q13. Does your company have a formal training programme?
[ ] Yes [ ] No

Q14. What proportion of your employees are fully trained and experienced when you recruit them?

%

Q15. Does your company have a formal wage structure?
[ ] Yes [ ] No (go to question 16)

Q16. Do you use any of the following to determine your structure of pay?

Job evaluation [ ]
Formal grading structures [ ]
Incremental pay scales [ ]
Other [ ]

Q17. How long (in hours) is the working week of an average employee?

Excluding Overtime Hours

Including Overtime Hours

Q18. Does your company operate/allow flexible working hours?
[ ] Yes [ ] No

Q19. Does your company offer part-time as well as full time contracts to potential employees?
[ ] Yes [ ] No

Q20. Does your company currently meet the Investors in People standard?

[ ] Yes, if so, how many years have you held the accreditation?
Years

[ ] No, if so, is your company considering the option in the future?

[ ] Yes [ ] No

Thank you for completing this survey - Please return in the envelope supplied