



PEOPLE IN ORGANIZATIONS

FURTHER HUMAN RESOURCE MANAGEMENT

HUMAN RESOURCE DEPARTMENT

- Measuring and improving employee performance
- Monitoring and applying labor legislation
- Managing industrial relations between the workforce and management

MEASURING AND MONITORING EMPLOYEE PERFORMANCE

- Indicators that HR managers use to assess the level of employee performance:



- **LABOR PRODUCTIVITY** is often viewed as the key test of employee performance

The output per worker in a given time period. It is calculated by:

total output in time period, e.g. 1 year

total staff employed

LABOR PRODUCTIVITY

- Productivity data are usually compared with results from businesses in the same industry, as well as recording changes in labor efficiency over time. There are several reasons why labor productivity might increase over time:
 - Improved staff motivation and higher levels of effort
 - More efficient and reliable capital equipment
 - Better staff training
 - Increased worker involvement in problem solving to speed up methods of production
 - Improved internal efficiency (e.g. no waiting for new supplies of materials to arrive)

LABOR PRODUCTIVITY

- Measuring productivity in service industries is usually much more complex than in manufacturing or primary sector industry. Here are some examples:
 - Transport Industry – miles traveled per driver per year
 - Hotels – number of guest nights per employee per year
 - IT and banking/finance service – revenue earned on average per employee per year

BUSINESS IN FOCUS – HOTEL INDUSTRY

PRODUCTIVITY

It is very difficult to increase labor productivity in the hotel industry – especially at the luxury end of the market where top-quality services for guests depend on having staff always on call. This means that prices in the hotel industry have not fallen as they have in, for example, computers or even airline tickets. About the only opportunity for a hotel owner to improve labor productivity is to use IT as much as possible in the support services of booking, billing and ordering supplies.



CALCULATING LABOR PRODUCTIVITY AND LABOR COSTS PER UNIT

- In the following table, all three companies operate in the wedding-dress industry. Workers are paid a salary of \$20,000 per year.

Company	Total Output 2009	Avg. number of workers employed 2009	Labor productivity	Labor cost per unit
A	1,000	100	10	\$2,000
B	1,800	X	12	Z
C	3,000	150	Y	\$1,000

1. Calculate the missing figures in the cells x, y, z
2. Explain what happens to labor cost per unit as labor productivity increases.
3. How might you explain the different levels of labor productivity in these three companies?



ABSENTEEISM RATES

MEASURES THE RATE OF WORKFORCE ABSENCE AS A PROPORTION OF THE EMPLOYEE TOTAL. IT IS MEASURED BY:

$$\text{ABSENTEEISM (\%)} = \frac{\text{NO. OF STAFF ABSENT}}{\text{TOTAL NO. OF STAFF}} \times 100$$

ABSENTEEISM RATES

Staff absenteeism is disruptive to any business, especially one providing consumer services.

Once a consumer has experienced poor service due to staff absence, that consumer may never return.

Absenteeism:

- Is expensive to employ 'extra' staff or ask other workers to work overtime.
- Commonly used measure of workforce motivation
- Might be caused due to working conditions making employees ill
- Might be caused by over-supervision leading to worker stress



LABOR TURNOVER

MEASURES THE RATE AT WHICH EMPLOYEES ARE LEAVING AN ORGANIZATION. IT IS MEASURED BY:

$$\frac{\text{NUMBER OF STAFF LEAVING IN 1 YEAR}}{\text{AVERAGE NUMBER OF STAFF EMPLOYED}} \times 100$$

LABOR TURNOVER

If a business employed, on average, 200 staff last year and 30 left during the year, then the labor turnover rate would be 15%.

$$\frac{30}{200} \times 100 = 15$$

If this result is high and increasing over time, then it is a good indicator of staff discontent, low morale and, possibly, a recruitment policy that leads to the wrong people being employed.

High labor turnover is more likely in areas of low unemployment too, as there may be better-paid and more attractive jobs available in the local area.

- Some industries simply have higher labor turnover rates
 - So many students, such as yourselves, look for part-time or temporary employment, find jobs in fast-food restaurants leads to labor turnover rates that can exceed 100% in one year.
- Other organizations, labor turnover rates can be very low; this is typical in law practices and in scientific research.

Who's Sinking Your Boat?



Employee Engagement 2014

MANAGEMENT BY OBJECTIVES (MBO)

- This system is designed to motivate and coordinate a workforce by dividing the organization's overall aim into specific targets for each division, department, and individual.
- If this process is undertaken after discussion and agreement with personnel at each level of the organization, then it can be a very effective way of delegating authority and motivating staff.
- This approach would accord with a Theory Y approach.
- If, however, the targets at each level were merely imposed from above – as with a Theory X style – then motivation is likely to be low.



MANAGEMENT BY OBJECTIVES (MBO)

- BENEFITS:
 - Each manager and subordinate will know exactly what they have to do. This will help them prioritize their time. It will also enable them to see the importance of what they do to the whole organization.
 - By using the corporate aim and objectives as the key focus to all departmental and individual objectives, everyone should be working to the same overall target. This will avoid conflict and should ensure a consistent and well-coordinated approach.
 - Objectives act as control device. By setting targets agreed with the people who have the authority to reach them, managers are able to monitor everyone's performance and measure success or failure.



MANAGEMENT BY OBJECTIVES (MBO)

- PROBLEMS:

- The process of dividing corporate objectives into divisional, departmental and individual targets can be very time consuming, especially as this is best performed only after full consultation with those most affected.
- Objectives can become outdated very quickly and fixing targets and monitoring progress against them can be less than useful if the economic or competitive environment has changed completely.
- Setting targets does not guarantee success, despite what some managers might believe. Issues such as adequate resources and staff training must also be addressed if the original targets are to have any real meaning or are to act as true motivating goals.



MANAGEMENT BY OBJECTIVES (MBO)



WORKFORCE AND MANAGEMENT – SCOPE FOR CONFLICT AND COOPERATION

- In any business with ‘employees’ there are always likely to be potential conflicts of opinions and interests.
 - At a simple level, the owner/manager aims to achieve satisfactory profit levels by keeping costs, including labor costs, as low as possible.
 - However, workers, and do not forget that wage costs are often a major part of total business costs, will seek to obtain high pay and shorter working hours.
- There is a clear scope of conflict here, but it is not the only source of possible clashes of interest between labor and management.
- In very broad terms, there are three approaches that may be adopted by management and labor to deal with conflict situations.

WORKFORCE AND MANAGEMENT – SCOPE FOR CONFLICT AND COOPERATION

1. AUTOCRATIC MANAGEMENT STYLE WITH A 'TAKE IT OR LEAVE IT' ATTITUDE TO WORKERS

- Workers might be employed on very short-term contracts – even on a daily basis – offering no security at all.
- If a worker objects to the conditions of work, then the attitude of management is often to 'sack' the worker and replace them with another person, who might be so desperate for work that they will not raise any objections.
- This type of style might lead to VERY low labor costs, but drawbacks to such an approach include:
 - No labor security and very low levels of motivation
 - Staff will not have the opportunity to be trained due to frequent job changes
 - No common objectives established between labor and management
 - Non-existent job enrichment and no staff involvement or participation – so no contribution from workers to important decisions which can lead to better results.

WORKFORCE AND MANAGEMENT – SCOPE FOR CONFLICT AND COOPERATION

2. COLLECTIVE BARGAINING BETWEEN POWERFUL TRADE UNIONS AND MAJOR EMPLOYERS AND THEIR ASSOCIATIONS

- The growing power and membership of trade unions in the 1950s, 1960s, and 1970s in the USA and Europe led to the widespread development of national collective bargaining.
- National collective bargaining is when representatives of unions and national employers negotiate wage levels and working conditions for the whole industry or for large sections of it.
- These collective negotiations made trade union leaders very powerful as they were able to threaten and actually call for strike action from all of their members and this could bring the entire industry to a halt.



WORKFORCE AND MANAGEMENT – SCOPE FOR CONFLICT AND COOPERATION

2. COLLECTIVE BARGAINING BETWEEN POWERFUL TRADE UNIONS AND MAJOR EMPLOYERS AND THEIR ASSOCIATIONS

- Using this system of labor rose workers' wages and their conditions of work improved, but there were major disadvantages to this way of tackling disputes within industry:
 - National agreements were not always suitable, or affordable, for smaller businesses
 - Strikes and other industrial action caused disruption and lost output and sales
 - Powerful unions resisted any changes that might adversely affect their members and this led to a lack of investment in, and development of, key industries
 - Industries in the USA and Europe began to lose competitiveness and markets to firms in other countries where more flexible labor – management relations led to greater coordination and less confrontation, for example Japan.



WORKFORCE AND MANAGEMENT – SCOPE FOR CONFLICT AND COOPERATION

3. COOPERATION BETWEEN LABOR AND MANAGEMENT, RECONGIZING THAT SUCCESSFUL COMPETITIVE BUSINESSES WILL BENEFIT ALL PARTIES

- This approach draws heavily on the Japanese experience after about 1960.
- Recent management thinking has been not to seek to oppose workers' suggestions and those of their union leaders, but to actively involve them in important decision making and operational issues.
- In much of modern industry, therefore, there is much less confrontation, far fewer strikes and a great deal more harmony and working towards common goals than there was up to the late 1970s.



WORKFORCE AND MANAGEMENT – SCOPE FOR CONFLICT AND COOPERATION





TRADE UNIONS

AN ORGANIZATION OF WORKING PEOPLE WITH THE OBJECTIVE OF IMPROVING THE PAY AND WORKING CONDITIONS OF THEIR MEMBERS AND PROVIDING THEM WITH SUPPORT AND LEGAL SERVICES.

TRADE UNIONS AND THEIR ROLE

Reasons for a worker joining a trade union:

1. 'Power through solidarity' has been the basis of union influence and this is best illustrated by their ability to engage in collective bargaining. This is when trade unions negotiate on behalf of all of their members in a business. This puts workers in a stronger position than if they negotiated individually to gain higher pay deals and better working conditions.

TRADE UNIONS AND THEIR ROLE

Reasons for a worker joining a trade union:

2. Individual industrial action – one worker going on strike, for example, is not likely to be very effective. Collective industrial action could result in much more influence over employers during industrial disputes.

TRADE UNIONS AND THEIR ROLE

Reasons for a worker joining a trade union:

3. Provide legal support to employees who claim unfair dismissal or poor conditions of work.
4. Unions pressurize employers to ensure that all legal requirements are met, e.g. health and safety rules regarding the use of machinery.

NATIONAL, BUSINESS AND PLANT BARGAINING

Negotiations over pay and working conditions can take place at three distinct levels.

1. Trade union leaders can discuss pay and working conditions at a national level with employers' associations, such as the Engineering employers Federation. These agreements would then be applied in all businesses belonging to the association.

NATIONAL, BUSINESS AND PLANT BARGAINING

Negotiations over pay and working conditions can take place at three distinct levels.

2. Collective bargaining at a business level is when a firm – such as Ford South Africa – negotiates with union officials to establish pay and conditions for all Ford workers in that country.

NATIONAL, BUSINESS AND PLANT BARGAINING

Negotiations over pay and working conditions can take place at three distinct levels.

3. These factors have increasingly led to plant-based bargaining, where each factory or administration center agrees a deal between union officials and local management – operating within financial criteria laid down by head office.

NATIONAL, BUSINESS AND PLANT BARGAINING

In recent years, although unions retain the right to strike and pursue their members' objectives using other means, they have also adopted a much more cooperative role with employers, based on partnership and mutual understanding. There are several reasons for this trend: