



XpertHR Podcast

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Laura Merrylees:

Hello, I'm Laura Merrylees and welcome to this XpertHR podcast on HR metrics.

With me is Noelle Murphy, a voice that will be familiar to many of you from our podcasts, who is today wearing her hat of Senior HR Practice Editor here at XpertHR. And we'll be taking you through what we can learn from HR metrics in three key areas – sickness absence rates, labour turnover rates and HR roles and responsibilities.

Now the data, Noelle, we have in these areas is the result of surveys we've run here at XpertHR in 2018 based on 2017 figures?
[0:00:45.7]

Noelle Murphy:

Yes indeed, that's right. In fact we've been running these three surveys for many years now, they've been running for longer than ten years. We've been very lucky that every year they get a good level of engagement with our respondents, so that's very good, but the fact that we have this depth of data allows us to really monitor trends over time.

Laura Merrylees:

So let's kick off, then, with the sickness absence rate survey and costs and the data we've gathered is comprehensive, I mean it's based on 287 organisations and that's covering just sort of shy of 400,000 employees. [0:01:20.0]

Noelle Murphy:

Yes, that's right and this survey has actually been running for twelve years, so as well as us conducting the survey on an annual basis we also try and put together a match sample where we look at organisations who have responded this year and also look at the data that they gave us last year. This allows us to kind of drill down and be very confident in the findings that we produce.

Laura Merrylees:

Okay, so the headline result for sickness absence rates is a decline, so that's down from 2.9% of working time in 2016 to 2.5% in 2017 or, if you look at that as absence days lost, it's a drop of one day from 6.6 days per employee to 5.6 days. So that reflects a downward trend in sickness absence rates over recent years. Why do you think that is? [0:02:08.9]

Noelle Murphy:

Well I think it's down to a couple of reasons, really. When we first started looking at sickness absence rates in 2006 the average absence rate stood at 4% and the median stood at 3.5%, but since that time it has been coming down consistently. Now we saw the biggest drop just after the recession and that'll come as no surprise because during the recession when people lose their job security,

they are less likely to take sick leave. But then the rate continued to drop after that time. So we think a couple of things happened. One is that HR had a rate that they had seen drop, so they were interested in maintaining that rate, but also there was the interest in HR metrics that developed around that time. So that meant that HR practitioners were more likely to start measuring absence rate and doing it accurately. Now it's very easy to measure your sickness absence rate, but it takes a little more effort to measure it accurately and we have seen with the growth in HR metrics that the quality of the data that we are getting is absolutely improving, but it's coinciding with an overall drop in sickness absence rates.

Laura Merrylees:

What are the key messages and actions that HR can take away from this? [0:03:29.8]

Noelle Murphy:

Well I think it's really important to build on the data that organisations have and that HR practitioners are gathering. But one of the interesting things is while we have seen the quality of the data around absence rates improving, we have also been gathering data on sickness absence costs for the same amount of time. But even in all that time with the growth in HR metrics, the quality of the data or the breadth of factors that are covered in sickness absence costs has remained generally the same. It's generally they measure salaries of those who were off on sickness absence, but they don't really gather consistently the indirect costs or the costs for the organisation as a whole. So that's the one thing, I think, HR should start to look at now, because if they've got an accurate picture of the cost of sickness absence, that builds their business case for the organisation to continue to invest in managing sickness absence.

Laura Merrylees:

So turning to labour turnover rates, I guess it might be helpful to begin by explaining how we measure labour turnover. [0:04:36.4]

Noelle Murphy:

So for the sake of our survey we measured total labour turnover, which is essentially crude wastage. So that is basically anybody who leaves the organisation within a set period of time. So they leave to take up another job or they leave due to dismissal, redundancy or retirement. So we've got total labour turnover and then we've got voluntary labour turnover. And voluntary labour turnover specifically measures those who leave to take up other roles or they leave of their own accord.

Laura Merrylees:

And what does the survey tell us about turnover rates? [0:05:12.3]

Noelle Murphy:

Well it's absolutely no surprise that we have seen labour turnover rates going up and we've seen it particularly over the last few years. And that is generally because the level of employment within the country as a whole, or within the UK, is at its highest level since records began in the mid '70s. So every time you have a situation in the labour market where there are an awful lot of job roles around, you will see an awful lot of movement. So you'll see high levels of churn and that's what we would expect. But alongside that...so we would expect that for voluntary turnover rates, but total labour turnover rates are also steadily climbing. And I think what that tells us is that redundancies are now a fact of business life. So the restructuring seems to happen on a fairly regular basis within

organisations. It doesn't have to be a major restructure, but just even in smaller parts of the organisation where the skills that are there are not the skills that are required for the business going forward. It's all about that scaling up and scaling down.

Laura Merrylees: So what challenges does that throw up for employers? [0:06:19.3]

Noelle Murphy: Well challenges and opportunities, really, particularly if we look at voluntary labour turnover. It's all about your recruitment process as a whole, but specifically the selection processes that you use and the selection tools that you use and as part of all of that the onboarding process that an organisation will engage with. So that's everything around the candidate relationship management. It's from the advert that you put out in the first instance right through to all of the communication that you have with all candidates, those who are successful and also those who are unsuccessful for that role, because what you need is anybody who has had any engagement with the organisation to take away a positive message.

Laura Merrylees: It's interesting looking at the onboarding process and people coming in to the organisation because the metric around voluntary turnover for employees with less than twelve months' service, that's of concern, really, isn't it, from this survey? [0:07:17.2]

Noelle Murphy: Well we actually started gathering the data on this because we were hearing from HR practitioners that they were interested in this, what is actually happening with churn for those with less than twelve months' service? And it absolutely can be a money pit. So if you spend all the time and the resources and the impact on the team as a whole recruiting somebody in and it doesn't work out then it's something that an organisation and the HR practitioners really need to take a good look at. I think that this is particularly around the selection processes that are used, but also about being absolutely clear and as honest as possible about what the role is going to involve. So you don't set it too high and you don't set it too low, you just try and get an accurate picture of what the role is going to be, you try to accurately reflect the culture of the organisation so that people know what kind of role they're coming into.

Laura Merrylees: So these metrics really can be invaluable in helping you to spot risk areas and take action? [0:08:18.1]

Noelle Murphy: Absolutely. So if an organisation is collecting data on voluntary turnover they really do need to start splitting it by those with less than twelve months' service and it can allow you to identify is there commonality around the kind of job roles where there's particular labour turnover issues for those with less than twelve months? Or is it particular to particular teams, particular areas of the country etc? So you can start to take a look at that in detail. So the selection processes that you use, the onboarding that goes on for these individuals and also something that really...if people haven't had that amount of service or that long length of service within an organisation, they don't always feed into the exit interviews etc. But it's really important, particularly for those with less than twelve months, that they are allowed to give their feedback and that can be really valuable information for organisations.

- Laura Merrylees: Now our final set of metrics focuses on HR roles and responsibilities. Can you just take us through the headline figures here? [0:09:23.9]
- Noelle Murphy: So this year we have seen that the median number of employees to every one HR practitioner is 60. Now back when we started doing this research there was this kind of rule of thumb that there would be one HR practitioner, generally, to around 100 employees and in fact our first recording, our first piece of data on this, it was one HR practitioner to 118 employees. So we've seen that fall over time and it's really interesting if we look at the reasons why that is.
- Laura Merrylees: What does that statistic of one to 60 tell us about the role of the HR function in business at the moment? [0:10:05.0]
- Noelle Murphy: Well I think it has to be that the HR function has now cemented its place within the business function as a whole. It's not so much seen as a support service anymore but kind of integral to the business function. What is really interesting is if we look at where the changes started, so the biggest drops came around the time of the recession and we thought, 'Okay, is this because there's a bit of a lag?' So sometimes HR are left in place to kind of manage major restructuring programmes and then the cut comes to them, but we never saw that cut happen. So I think what we can safely say is around that time HR began to prove its worth to the organisation. So it allowed many organisations to steer their way through the recession where they had to cut a lot of people but still had to build a business that was able to take on the challenges post-recession. And there's no doubt about it, but HR enabled them to do that. So that has been really positive for the HR function.
- Laura Merrylees: So this knock-on effect of an increased need for HR would be a need for increased recruitment in the profession, but according to the survey that's proving to be quite a struggle. [0:11:19.3]
- Noelle Murphy: So around one in four of those who responded to our survey on this told us that they had had recruitment difficulties and the biggest problem was recruiting people with the right skills for the role. Now I think there's a couple of reasons again for this. I think that it is to do with the fact that there is now more of an appetite for people in HR with data analysis experience and I think there's a bit of a time lag between what the colleges are producing, so the college programmes, and actually what industry needs. But the other thing, of course, is it's just a reflection of what's happening in the labour market as a whole. There are a lot more jobs, so HR can move around a lot easier.
- Laura Merrylees: So what steps can employers take to try and combat this struggle that they've got to recruit HR professionals? [0:12:10.0]
- Noelle Murphy: Well one of the things that the HR function could do is to look internally, so to look to see if there are any graduates within the organisation who are perhaps on other programmes, they may have an interest in HR, the HR function. There may be people within the HR department that they can develop and grow into roles within the function, but of course the other thing is that the majority of those who work in HR are women, so employers could look at the flexible

benefits that they offer, or flexible working arrangements that they offer, promote that more to anybody who is looking to work or looking to apply to the organisation and make that a stand out feature for them.

Laura Merrylees:

Before we wrap up, Noelle, what's your view on the power of metrics and using them to best advantage? [0:12:56.0]

Noelle Murphy:

Well I mean I think there's no getting away from the fact that HR metrics, when they are used, can be so powerful to save money, they improve performance of individuals and the organisation and they allow the HR function to build a true picture of what's happening within the workforce. But I think the big message is that there needs to be another push on now. We have seen in all the data there's been a huge improvement in measuring some things, but it's about the costs now. So we need to get into more detail around the absence, the cost of sickness absence and the cost of labour turnover both voluntary and total. So this is a great area for them to push on from now and to really build up...every piece of data you have is a part of the jigsaw and keep building on and picking up pieces of data to put together to give you the biggest, clearest picture possible.

Laura Merrylees:

Well thanks very much, Noelle. And to link through to the surveys we've been talking about today and more, do go to survey analysis in the survey and benchmarking tool.

Well that brings us to the end of this XpertHR podcast. Thanks for listening and we look forward to you joining us again next time.