

# Measuring and managing absenteeism at rolls royce management essay



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Absenteeism is a concept that is of utmost importance in today dynamic business environment where cut throat competition has forced companies to offer products and services at low ebb. In such situations it has become extremely important to manage absenteeism. Different organizations have adopted different methods to reduce absenteeism. Here we are going to present a case study of a large organization that was struggling to control absenteeism. Rolls Royce employs more than 22, 000 workforces across its different divisions. Over the last decade sickness related absenteeism brought severe consequences for the Rolls Royce that includes multi million productivity losses. Sickness related absence costs RR nearly 71. 70 million Pound Sterling. Considering this management at RR decided to implement a sickness absence management program. Initially Rolls Royce set the target of reducing sickness related absenteeism by 10 percent by offering employees to extra benefits such as medical facilities. Successful implementation of the said program resulted in huge savings of £ 11. 00 million for Rolls in first year.

Absenteeism can be classified into different types because absenteeism in itself is multidimensional and classification of absenteeism into different types can help to study factors that determine the rate of absence in an organization. Current study will shed light on absenteeism related to sickness, personal issues, commuting issues. Organizations need to identify genuine absence and imitated absence because controlling genuine absenteeism through motivation will not improve situation. Organizations can ignore genuine but infrequent absences. But where genuine absences become too frequent or spread over long period organizations need to

intervene to find the solution. Same thing happened in the case of Rolls Royce. Frequent absences were causing huge losses to the organization and as a last resort to improve efficiency of the production and avoid future losses Rolls Royce developed an “ Absence Management Program”.

## **Definition**

Absenteeism is defined as “ any failure of an employee to report for or to remain at work as scheduled, regardless of the reason” (Cascio, 1999: Pp. 596)

## **Types of Absence:**

In terms of Time Span (Arnold, 2004)

- **Short-term Absence:**

When an employee is absent from work for short duration lasting from one day to four weeks.

- **Long-term Absence:**

When an employee is absent for longer durations i. e. for four weeks and above e. g. maternity, paternity, adoption, or parental leave; time off for public or trade union duties, or to care for dependents; compassionate leave; educational leave.

- **Frequent Absence:**

When an employee is absent over short, medium or long term periods on frequent basis.

In terms of Legality (Cascio, 1999).

- **Authorized Absence:**

When an employee is absent from work but took/applied leave which s/he is entitled to according to his employment contract.

- **Un-authorized Absence**

When an employee is absent from work may it be informed absence or un-informed absence and is not availing any of his entitled leaves according to his employment contract.

## **Why Manage Absenteeism**

Over 5000 books have been written on absent management because it costs nearly US\$ 42. 00 billion a year to organizations in USA only (Harrison and Martocchio, 1998; Gaudine and Saks, 2001). There are various costs related with absenteeism inflict adverse effects on an organization in terms of financial cost, quality of work, rate of production and eventually clients' satisfaction. According to Hagstrom (2000), the effects of unscheduled leave include paying absent employee, arranging alternatives for absentees, paying overtime to substituting employees, increased work load on alternative employee decreasing their interest and productivity, alternate employee are more likely to make mistakes, increased work load on managers to find and arrange alternative employees and decrease in the moral of regular employees etc. Berkell (1985) wrote that the effects of sick leave can be upsetting for the management as well as for the organization. The absence of employees can decrease the strength of the employees, incriminate additional costs in the form of over-time, generate negative morale, reduce the usefulness of trainings and shake company's harmony.

Moreover the company can face many unexpected problems if the workers in the company develop an “ Entitlement Mentality” where they feel and act as if they have the right to take time off even in the absence of illness or any other dire need.

Good, loyal, hardworking and regular employees are an asset to any organization but if these employees feel that their efficiency is not rewarded rather frequent absentees are benefiting from the company’s leave policy, their moral and motivation will decrease. They might feel that the management is failing to control abuse of entitled leaves and irregular employees are rewarded in terms of paid leaves. The regular employees might get extremely discouraged and feel that their ethical conduct and regular behavior is of no worth. A poorly designed absenteeism control policy can backfire for the organization by giving employees ways to manipulate the organization.

## **Why Measure Absence?**

‘ If you can’t measure it, you can’t manage it’.

### **(Susan R. Meisinger)**

Employee absenteeism has multi dimensional effects on an organization.

Organization has to pay in monetary and non-monetary form of compensation for employee absenteeism and in order to control that; measurement of absenteeism becomes a vital management task.

Absenteeism can be managed through correct measurement and control. It is impossible to device effective management and control strategies until we measure the phenomena correctly. Measurement of absenteeism also

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enables organizations to find costs related with employee absenteeism and causes of absence. Managers can present these costs to the higher authorities and ask for policy reforms to best serve the interests of the organization. The significance of a well formulated and supervised skiving policy is vital when one deems the unfavorable effects of absenteeism on a business.

## **Measurement of Absenteeism**

According to Gandz (1979: 531) management at an organization can measure absenteeism only if they can answer four questions and these are,

“ How many days of potential production an organization is losing because of absenteeism”

“ How widespread is absenteeism among the employees”

How often does malingering happen among the employees

How intense is malingering between the employees?

Once we have answered these questions we need to measure absenteeism at individual level and aggregate level. According to Gandz (1979; p. 532), in order to measure the spread of absenteeism (extent of absenteeism) and evaluate how widespread absenteeism is in an organization during a particular time span, a PARTICIPATION INDEX can be used

PARTICIPATION INDEX = No. of employees absent in period/Average No. of employees in period\* 100

However this index does not explain the severity of absenteeism because an employee is counted only once in the time period regardless of the duration of his absence may it be a single day or a whole month. Whereas when absenteeism should be measured, the productive days lost and number of absences both should be measured. Additional data can be gained by separating absenteeism data into long and short term categories.

## **How to Manage Absenteeism**

Employee absenteeism in any organization in any situation cannot be solved with a snap and there is no ready solution for the issue. It is important that we first look at the causes of the phenomena and deal with it accordingly. At Rolls Royce; management first of all determine the causes of absenteeism. They came to know that sickness related absence is major source of absence related loss.

## **Steps in the Management of Absenteeism**

### **Inform:**

Communication is an important part of controlling absenteeism. Usually organizations do not communicate with the employees about their absenteeism related policies that resulted in conflict between employee and employer. Organizations need to inform the employees about absence related policies. This will help organization to control absent related issues more effective. At Rolls Royce same policy was adopted by the higher management. Management at Rolls Royce informed the managers about the duties and responsibilities. Operational level managers were instructed to meet with workers who have recurring attendance issues and explained new

policy to them. Rolls Royce kept record of those meeting and include any issue in the policy that can improve the employee's attendance.

## **Keep Precise Report**

Keeping accurate data of every employee attendance is a complicated task but it bears huge benefits for the organizations. It can help organization to identify the pattern of absence and formulate policies accordingly (Bunning, 1988). For the Effective management Rolls Royce developed an automated IT system to keep the record of employee's attendance. This program helped Rolls Royce to monitor, identify patterns and finds costs related to absence.

## **Advice**

Organizations should consult with the employees who take frequent leave and ask them for the reason. This element was also included at the Rolls Royce. Any employee who took more than four week leave was consulted by management and asked for the reasons. Accordingly appropriate steps (employees who presented medical related excuse were referred to doctors) were taken by the management. Management gave employees a sense of affiliation and motivation by giving medical consultation to employees who remained absent from work for more than four weeks. Employees were referred to physiotherapist for treatment and all expenses were born by the Rolls Royce.

## **Control**

To manage absenteeism management at Rolls Royce followed strict control and implementation strategy by specifying the concerned departments and individuals duties.

## **Nature of Management**

Controlling absence in an organization is not the sole responsibility of the HR department. Each manager in his/her own department need to ensure that employees in their department are performing as required and their issues regarding illness are also been paid due attention. The manger should have a close eye on the trend of absenteeism in his department. He should also make sure to note short leaves/absences. Various companies make is obligatory to submit a medical certificate if the sickness leaves exceeds a week. Employees can be interviewed by their managers about their sickness, leave and their condition to work right after their sickness leave. In that way, the workers not only feel that they are being empathized but they will also feel a sense of responsibility that after their sickness, now that when they are well, they are expected to perform with devotion. Along with that the management can ensure control and management of absenteeism by following the policies of the organization and regulations issued by HR department with utmost consistency.

## **Controlling Absence through Motivation**

“ Motivation is an internal state that directs individuals toward certain goals and objectives” (FBT lectures notes, 2010).

Maslow theory of motivation has contributed abundantly in the management of absenteeism but it has been criticized because “ need is not effective as a motivator until those before it in the hierarchy have been satisfied” (FBT lecture notes, 2010; Slide 19)

There can be two methods of controlling absenteeism, Reward system or punishment system. Each has its own implications for the organization.

Penalizing the employees for their absenteeism are unlikely to work because workers find a way around the disciplinary action one way or another and even if they physically appear to work from the fear of penalties, they are absent in spirit which eventually leads to decreased production. Using the 'sticks' is a lose-lose strategy because the employees try to find a way to escape from a prison-like work environment.

Some researchers believe that reward system can be more fruitful than punishment system (Bunning, 1988). Employees can be motivated through different methods to improve attendance. These include monetary and non-monetary rewards. The monetary rewards include gifts, bonuses, profit sharing etc. though these might be very encouraging for some employees, they might have adverse effect otherwise, i. e. increased financial costs to the company. At the end of the day, the company might be paying off to those employees who had a perfect attendance record previously as well. Whereas having little or no effect on frequent absentees because they might prefer time off than money itself.

The non-monetary system of motivation includes giving more responsibility, making work tasks more interesting, appreciating and incorporating workers ideas and inputs and praising them for their good conduct. If these measures are practiced at regular intervals, an organization will experience high levels of motivation among its employees. Famularo 1986 stated that " most employees respond to positive demonstration of appreciation and

recognition for their excellent attendance, such as verbal commendations or <https://assignbuster.com/measuring-and-managing-absenteeism-at-rolls-royce-management-essay/>

letters or certificates of appreciation and recognition from management” (p 60). A manufacturing firm in USA offered its employees non-monetary rewards and was able to improve attendance of the employees by 56%.

In an example a contact lenses manufacturer in USA was able to made savings of US\$ 165, 000 by offering cash rewards for perfect attendance. However, Markowich (1993) revealed that monetary incentives do not motivate employees significantly as sick leave abusers prefer time off from job rather money. In this way money fails to motivate employees to improve their attendance records. Here, researchers believe that some strict control with reward is essential to reduce employee’s absence to an acceptable level. A good example of this type of system is where an employer specifies the number of sick leave a person is entitled to and once that limit is reached and if employee continues with sick leave, employer can call explanation with issuance of warning. If such behavior continues after first warning employer can take strict action followed by termination from the job after meeting legal requirements. This system was implemented by Bradley Company in California in USA that resulted in unauthorized absenteeism decrease by 85% (Stinson, 1991).

## **Can Organizations Control Absenteeism through Motivation Only**

Organizations cannot control absenteeism only through motivation. There are two important factors that determine the employee attendance record and these are worker motivation to attend and Worker ability to attend (Steers and Rhodes, 1984). Employee might be motivated by monetary or non-monetary rewards and wants to be more punctual to secure reward but <https://assignbuster.com/measuring-and-managing-absenteeism-at-rolls-royce-management-essay/>

his circumstances might hinder his way e. g. transportation problem. Along with organizational and environmental factors, employee personal circumstances also determine the rate of absenteeism. Organizations can treat personal reasons for absence by offering flexible working hours as this policy provides inherited motivation to employees to adjust their personal commitments.

## **Role of Leadership in the Management of Absenteeism**

In business it is assumed that when human values are given priority over economic values, it means that the leaderships' decision making strategy is irrational but in reality, effective leaders find a middle ground between the two extremes of human values and economic values as both are of vital importance (Morath and Manthey, 1993).

Leaders or managers are considered role model for the employees and employees do not learn much from what leaders say rather they are inspired by what the leaders do. A research conducted at a mobile phone company in America to know the reason for high absenteeism revealed that employees took more leave because their Vice President used to work from home. In this way it becomes extremely important that managers not only communicate the organization's policies to the employees but also become a role model by practicing that policy themselves.

## **Leadership Rolls Royce**

Over the last year senior management at Rolls Royce drafted sickness absence management program and implemented this program successfully. According to HSE main reason for this successful implementation was

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commitment from HRM director of the Rolls Royce. Human Resource Management director showed his full cooperation by developing leadership style in the successful implementation of the program. To manage radical change and reshape new culture of attendance at Rolls Royce HRM director divide roles among the concerned managers. Small teams were developed under the leadership of motivators to achieve desired objectives.

## **Employee Involvement at Rolls Royce: Team Work and Group Dynamics**

The success of the company's decisions depends on the decision making practices and policies. Effective implementation of the decisions can be best ensured when decisions are made and implemented in a healthy environment of a group and team rather in the dominance of a single authority or in a competitive environment. Effective decisions can only be derived from a group decision-making process. The spirit of participative management is that the decision making process involve those who are ultimately affected by the decision, at least to some extent. They should not feel that they are forced to do something rather they should feel that they are in control of their work life at least to some extent.

In order to develop a good absenteeism control policy, a consensus was made within an environment of interdependence between the employees and the management. RR made an analysis report of the specific needs of the employees and of the company and the obstacles that each will face while practicing different policies. To ensure successful implementation management at Rolls Royce actively involved employees at different level and labor union in decision making when formulating sickness absence

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management program. To motivate employees Rolls Royce management not only involved labor union at planning stage but also provide necessary training to deal with certain issues related with absence management.

The consideration of team work and group dynamics were not limited to decision making process only. Even after the implementation of the sickness management absence program, the company held regular individual meetings of the employees with the concerned management in order to develop an understanding of how the workers feel and respond to the program and what issues are important for them. Focused attention on individual employees fostered a higher degree of commitment from them. Such kind of practices also keeps the policies and programs alive and don't let the employees forget about it by the passage of time which in turn increase response to the program.

#### Conclusion: The Role of Organizational Behavior in Everyday Life

The theories of organizational behavior are not only relevant to measuring and managing absenteeism in an organization. Rather the subject and its contents have wide multi-dimensional usage in building and establishing a successful business and working effectively with people in an organization. No matter how mechanized a business becomes, the management and spirit of the organization will always remain in the people working in the organization. The study of organizational behavior and the theories on which this subject matter is built have been developed by intellectuals with utmost intelligence and research. They help to study the behavior of people in an organization and how their performance can be optimized eventually leading

to the growth and development of the business. People do not respond in a universal manner. Do not work like machines or chemicals whose performance can be judged and predicted on ground rules. In fact, they have to be managed in a way that regardless of organizational dynamics and external variables, they keep on performing in the expected pattern.

In the current era of competitive business environment, the knowledge about organizational behavior can help people to build a positive, constructive and healthy environment with a sense of mutual understanding between all. The comprehension of the theories and their workability is not obligatory on the managers only. An organization whose top leadership, policy makers, managers, employees and laborers all have understanding of the concepts of OB are no doubt in a much better position to give optimum performance as compared to those who are naïve on the subject matter. Any worker may he be a skilled laborer or member of a top management can achieve a successful career with the skills and knowledge taught in organizational behavior as these skills enable getting a job done by other members of the organization which is a valuable talent.

The use of the theories of organizational behavior e. g. motivation, leadership, team work, group dynamics and management styles are not limited to business organizations only. As mentioned earlier, these theories teach us about how to work well with people, so it doesn't matter if a person is applying the same concepts in his everyday life. For example, a mother has to play a role of a manager, leader and team member in her house where her family members are the people she have to work with. A women who is not working outside her house is no more called a house wife, rather <https://assignbuster.com/measuring-and-managing-absenteeism-at-rolls-royce-management-essay/>

she is called a ' Home Maker' and she cannot make a perfect home out of a house without using the concepts of team work, group needs and motivation etc. A man when returns from his office steps into a home which if not synchronized becomes upsetting. But at the same time, if he steps into a perfectly managed home he too has to incorporate himself as a leader and role model for his kids and a team member with his wife. Thus we can easily conclude that the theories and concepts of organizational behaviors are relevant to all human environments even outside a business organization.