



Managing the Cost of Absenteeism in Retail



Absenteeism is a subject close to the heart of many retail bosses. It was recently reported¹ that 40 percent of retailers fear employee absence, second only to website failure. Nowhere is absenteeism more noticeable than in the store, which faces a loss of productivity, rising overtime costs and disgruntled employees, in addition to the potentially devastating effects on customer service.

“Retailers are clearly struggling to both track absenteeism and reduce the price tag associated with it.”

46 percent of global respondents in a recent Oracle² survey revealed that great in-person service in the store influences their loyalty to a retailer. While some unplanned absence can be fulfilled by regular employees, retailers are often faced with sourcing temporary and possibly less experienced associates to manage the shortfall. Without the right employees on the shop floor, it is difficult to provide necessary customer assistance, maintain service levels and ultimately, this can impact sales.

The CIPD suggests that the average employee was absent for 6.6 days in 2014³. While genuine sickness accounts for some of this time, ‘sickies’ around the Christmas party or key sporting events, or unexpected absences in relation to compassionate leave or caring responsibilities have a considerable effect on the bottom line. Increasing levels of persistent, long-term and stress-related absence also place pressure not only on retailers but their colleagues in the store.

Quantifying the cost of absenteeism

While there’s no doubt that absenteeism, particularly unplanned, is a costly affair for retailers, it can be difficult to put a price on it. In the UK, just under two fifths of organisations monitor the cost of staff absence⁴, suggesting that it all seems too complicated or too much effort for most organisations to quantify.

Yet, with labour estimated to cost between 10-15 percent of a retailer’s revenue depending upon which set of statistics you view, of which one of the largest factors contributing to this is overtime accrual, the need to understand and accurately track absenteeism must become a priority.

The administration involved in absence is both time-consuming and costly. Absence increases payroll costs as replacement employees need to work extra hours, often at different rates, or change their scheduled hours to compensate if the retailer operates flexible working hours. Supervisors must spend time responding to absences by revising workflows or finding replacement employees, impacting their own productivity. Of course, let’s not forget that co-workers are likely not to be as productive when filling in for a colleague because of the additional workload and that morale may suffer as a result – something that is particularly difficult to determine.

By 2013, the cost of absenteeism for UK businesses was reportedly up to £29 billion a year⁵, and in the US, this figure grew to \$84 billion in the same timeframe⁶. Despite these considerable estimates, retailers are clearly struggling to both track absenteeism and reduce the price tag associated with it. So what can retailers do to combat these rising costs?

Reducing absenteeism with workforce management solutions

An effective workforce management solution helps retailers to deploy the right people in the right place at the right time to fulfil customer service expectations, while reducing the rising costs of labour and unnecessary administration.

Deploying an automated workforce management application enables retailers to effectively track and manage the actual cost of absenteeism through the budgeting and forecasting process, providing a real-time view of suitable replacement employees. Alternative employees can be identified and selected based on a number of acceptance criteria, such as availability, necessary skill set, and actual cost of replacement to the business. All of this information needs to be considered when selecting suitable replacements, and to be closely linked to the cost of labour in the store, yet balanced with legislation compliance to prevent retailers from breaching employment regulations.

Workforce management solutions also offer a number of employee benefits. With a standard solution in place, employees can be more confident that working hours and holiday entitlement are being tracked more accurately and fairly across the business, enhancing motivation. Improved visibility to shift schedules and patterns of absenteeism helps supervisors to manage instances of absence or welfare issues with particular individuals more proactively and seek resolutions that improve employee engagement and reduce staff turnover before a situation gets out of control.

Conclusion

Workforce management solutions can help retailers to more accurately track and manage employee absence, better monitor the associated expense and improve budgeting and planning to accommodate these challenges. Although it may seem difficult to effectively control and audit costs, solutions such as Oracle Retail Workforce Management Application help retailers to not only handle these issues but set in place appropriate strategies to manage absence more productively and profitably.

References:

¹ 'Have Your Say' survey, Barclays, 2014 - <http://www.barclays.co.uk/Businessmanagement/HaveYourSaySurvey/P1242569313025>

² 'Retail Without Limits – A Modern Commercial Society', Oracle, March 2015 - <http://t.co/QLwSUXuGbH>

^{3,4} 'Absence Management Survey 2014, CIPD, 2014 - <http://www.cipd.co.uk/absencemanagementsurvey>

⁵ 'Rising sick bill is costing UK business £29bn a year', PWC, 2013 – http://pwc.blogs.com/press_room/2013/07/rising-sick-bill-is-costing-uk-business-29bn-a-year-pwc-research.html

⁶ 'Gallup Healthways Well-Being Index', Gallup, May 2013 - <http://www.gallup.com/poll/162344/poor-health-tied-big-losses-job-types.aspx>

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