



"The aim of Human Resources Notes is to provide concise information on topical human resource management issues to guide effective people management practices."

Peter Fisher, Executive HR Consultant (THCS)

In this issue

- Monthly HR report
- Find future executives inside your organisation
- Unfair discrimination based on disability

Monthly HR report

"It is critical that managers, owners and directors alike must be able to read and understand the numbers. Poor quality data, or an inability to understand the data quickly, will always severely affect ... the performance of your business or department." (Haigh, 2012).

These are trite principles when applied to the financial and accounting information of an organisation. However, when it comes to human resources information, the compilation of numerical data to assess people practices and inform HR decision making is not universally practiced.

Just as the management accounts pack tells the story of business performance, so can HR metrics tell the story of how an organisation is doing in applying people practices which underpin effective business performance. An HR report should meet the following criteria:

- The metrics must not encourage inappropriate management behaviours. For example, if recruitment costs are being measured with the aim of lowering this expense, then there is a risk of compromising the quality of people hired. "Gold plating" is another inappropriate behaviour which may be driven by HR metrics. For example, an organisation's focus on bench-strength (see below)

could lead managers to line up too many potential successors for key positions. This in turn could prompt employees to leave when their career expectations are not met.

- When choosing which HR metrics to report and analyse, an organisation must select statistics that reliably reveal cause and effect. These may be counter-intuitive. (Mauboussin, 2012)

- The HR practices which significantly affect business performance will evolve and change over time influenced by factors such as life cycle stage of the organisation and external environment conditions. The HR team should review and change the metrics reported on to reflect shifting business priorities and spur continuous improvement.

- The way information is presented in an HR report must be impactful. Graphs and pie charts are effective and most people find them easier to understand than lists of numbers. (Haigh, 2012)

With these criteria in mind, here is a sample of HR metrics which organisations may use to track the impact of HR practices on business performance.

Workforce profile: In an environment where increasing workforce diversity is imperative and reinforced by statutory obligation, employers should monitor the profile of the workforce at each level of the organisation by race, gender, disability and nationality.

Recruitment: Some employers measure time to hire, duration of each recruitment process step, and cost per hire to gauge efficiency of the HR department. A panel of recruitment experts identified 'quality of hires' as the most important recruitment metric. Quality is difficult to capture in a numerical measure but *percentage of new hires still employed after six months* could be a good indicator. (Mistry, 2017)

Employee turnover: Refers to the movement of employees in and out of the boundaries of the

organisation. Two useful measures are (i) Employee Turnover Rate (ETR) calculated by number of voluntary employment terminations divided by the average number of employees over period x 100; and (ii) Median Length of Service (MLOS) at date of termination expressed in months. (Nel, 2004). Breaking these numbers down by race, gender, disability and age may give insights into demographic patterns. Lee (2011) stresses the importance of getting accurate termination reasons because there is a risk that numbers may be inaccurate if termination reasons are misclassified.

Absenteeism: The South African economy loses between R12- to R16-billion a year because of absent workers, according to Occupational Care South Africa (OCSA) and Statistics South Africa (Skosana,2014). Few employers are in a position not to measure this costly people issue. Absenteeism rate %, is a basic statistic which should be tracked to manage the extent of employee absenteeism. The formula is hours missed divided by average workforce size times scheduled working hours times 100 (Lee, 2011). If an employer is experiencing a disproportionate level of disruption caused by short-term absence compared to single instances of prolonged absence, then the employer can consider using the Bradford Factor to measure and manage absenteeism. The formula for the Bradford Factor is $S^2 \times D$ where S is the total number of instances of absence of an individual over a set period; and D is the total number of days of absence of that individual over the same set period. The higher an employee's Bradford Factor, the more pressing is the need for management to take remedial action. The scores can be aggregated and averaged to determine organisation-wide problems. (Bradford University).

Amount and cost of overtime worked and leave owed

Conflict resolution indicators: many organisations must invest considerable time and expertise in managing workplace conflict. Apart from these direct management costs there can also be business costs including down time; low morale and settlements and awards. Typically, measures of these elements include numbers and costs of grievances, dismissals, arbitrations, court litigation, strikes, case wins, settlements and awards paid. An organisation needs to identify its objectives and then determine which

measurable factors will help the organisation achieve the objectives.

Employee development: the number of training days per period may be required for statutory reporting, but insofar as it affects business performance, it is more of a vanity measure. Training proves its worth when participants apply their new skills in their jobs, which translates into improved business results. (Meyer, 2001) A measure reflecting managers' feedback on skills applied after training could be more valuable than knowing the number of training days.

Succession planning: Two performance indicators are (1) Bench Strength - the percentage of ready now candidates for the positions you have in your succession plan and (2) Appointment Ratio which is the number of key appointments made from the potential successor pool (Charan, 2008) If affirmative action targets apply, then these indicators broken down by race, gender and disability will be relevant.

This is not an exhaustive list of useful HR metrics. Perhaps the most sought-after HR metric since the advent of Taylor's Scientific Management in 1911 has been Employee Productivity. Measures often used, such as Revenue per Person, are flawed. The causal link between the input of an employee and an organisation's revenue is not established and the implications for management decision making are not clear. As cautioned by Autruongmay (2016), when it comes to knowledge work, productivity is hard to measure. With so many variables in the output over input equation, it's difficult for managers to scientifically and systematically measure and optimise productivity.

Organisations which have access to high quality, timely and concise HR metrics are well positioned to make sound people related business decisions. The identification and reporting of such metrics is worth the effort. ■

Find future executives inside your organisation

Here are three *talent tips* written by Derick Boshard (2004) in a book offering practical answers to

challenges in people management and HR strategy. He said that early identification of talent in an organisation is key to ensuring the future sustained success of an organisation. He advised:



1. CEOs must make it their business to interact with people at all levels of the organisation under a variety of circumstances to identify highly talented and achievement oriented individuals who then need to be carefully nurtured.

2. Exposing employees to a variety of challenges in diverse circumstances is necessary to uncover those with the potential to go far in an organisation.

3. Organisations must recruit highly talented people at the lowest levels in the organisation as they are the *raw material* on which the future leadership of the organisation depends.

Unfair discrimination based on disability

This is a note on the Labour Appeal Court's (LAC) judgment in a case of unfair discrimination based on disability handed down on 4 July 2017 (Case no: JA104/2015 & Giles Files 2017).

Ms L joined a pharmaceutical products distribution company as a sales representative on 1 July 2008. She earned a basic monthly salary and commission on sales generated. In a performance appraisal some six months later, management rated Ms L's performance as exceptional. This happy situation did not persist.

During 2009 Ms L raised various queries in relation to the calculation and late payment of her commission. A downward revision by the company of her sales figures and commission due in October 2009 led Ms L to formally complain and she was told to speak to the CEO. The CEO declined to see Ms L and she submitted a written report to the CEO's son. Ms L was consequently called to a meeting with her manager who wouldn't accept her report and threatened to throw it in the bin.

Ms L raised a formal grievance. In response to a heated discussion which followed, the company issued Ms L with a final written warning for serious misconduct which included *inter alia* insolence and insulting behaviour.

The conflict continued to escalate when some 20 days later, the CEO wrote to Ms L and said that she had made it known to managers that she suffers from bipolar depression. He instructed Ms L to attend a medical examination with a psychiatrist, who would be required to advise the company on whether Ms L was fit to perform her duties without there being any risk for herself or the lawful and legitimate interests of the company.

Lawyers acting on behalf of Ms L wrote twice to the company calling on the company to withdraw the instruction to Ms L to undergo psychiatric assessment. Ms L's counselling psychologist also wrote to the company stating that Ms L suffers from bipolar disorder, she was in therapy, she was medication compliant, and there was no reason why her condition should affect her work effectiveness.

The company disregarded these intercessions, suspended Ms L, and when she did not attend the assessment with a psychiatrist as instructed, the company dismissed her. Ms L suffered an early legal setback when an application she made to the Labour Court to set aside her suspension and interdicting the company from instructing her to attend a medical examination was turned down.

After being losing her job, Ms L disputed the fairness of her dismissal first in the CCMA and then in the Labour Court. In court, the company argued that its decision to insist on a psychiatric assessment of Ms L was justified because (1) in her employment contract, Ms L consented to undergoing a medical test when reasonably required to do so by the company and (2) Ms L's behaviour and disclosure of her bipolar condition made insistence on such an assessment reasonable.

The Labour Court was not persuaded by the company's case. Section 7(1) of the Employment Equity Act (EEA) prohibits medical testing of an employee unless permitted or required by legislation or, per sub-section 7(1)(b), it is justifiable in the light of medical facts, employment conditions, social

policy, the fair distribution of employee benefits or the inherent requirements of a job. The Labour Court found that the company had not met the requirements of any of the exceptions to the EEA's prohibition of medical testing. It noted that employee consent does not constitute an exception to the prohibition.

The Labour Court found further that the company unfairly discriminated against Ms L in instructing Ms L to undergo a psychiatric assessment. The Court decided that it was her bipolar condition which led Ms L being required to undergo the medical examination on pain of dismissal. That was unfair discrimination in terms of s6 of the EEA and consequently, her dismissal for refusing to accede to being tested for that reason was also an automatically unfair dismissal in terms of s 187 (1)(f) of the Labour Relations Act. (LRA).

The Labour Court awarded Ms L R237'000 in compensation and damages. The company appealed against the whole judgment and order of the Labour Court and Ms L cross-appealed against the compensation and damages award.

The Labour Appeal Court upheld the Labour Court's judgment noting that it was abundantly clear from the evidence that but for Ms L's bipolar condition, she would not have been instructed by the company to undergo a psychiatric assessment and would not have been dismissed for refusing to do so. This, the LAC found amounts to unfair discrimination on the grounds of disability as contemplated in both s187(1)(f) of the LRA and s6 of the EEA.

The LAC found that the Labour Court's award of compensation was an insufficient deterrent to unfair discrimination and increased the compensation awarded to Ms L to R285'000.

This case offers useful insights to employers dealing with sales commission practices, mental health awareness, grievance and conflict resolution, discipline and unfair discrimination. ■

References:

1. Autruongmay, C. (2016) The Do's and Don'ts of Measuring Employee Productivity in the Knowledge Economy Todoist Blog [online] Available at: <https://blog.todoist.com/2016/05/31/measure-improve-employee-productivity/> [Accessed on 22 July 2017]
2. Boshard, D. (2004) Identifying Future Executives. In: Boninelli, I. & Meyer, T. eds., *Building Human Capital South African Perspectives*. Randburg: Knowres Publishing pp. 173-186
3. Bradford University (c.1980) The Bradford Factor Calculator [online] Available at: http://www.bradfordfactorcalculator.com/#bradford_factor_how [Accessed on 1 March 2016]
4. Charan, R. (2008). *Leaders at All Levels*. San Francisco: John Wiley & Sons
5. Giles Files (2017) Testing bipolar employees: Invalid contractual term. Giles Files [online] Available at: <https://www.gilesfiles.co.za/testing-bipolar-employees-invalid/> [Accessed on 21 July 2017]
6. Haigh, J. (2012) *Finance for Non-Financial Managers*. Great Britain: Pearson Education Limited pp. xviii, 2-4
7. Lee, GK (2011) *HR Metrics*. Randburg: Knowres Publishing, pp 200-203, 383
8. Mauboussin, M (2012) The True Measures of Success Harvard Business Review [online] Available at: <https://hbr.org/2012/10/the-true-measures-of-success> [Accessed on 9 February 2016]
9. Meyer, L. *et al* (2001) *ETD Practices in South Africa* Durban: Butterworths pp247 - 248
10. Mistry, U. (2017) What's the Most Important Recruitment Metric? Undercover Recruiter [online] Available at: http://theundercoverrecruiter.com/important-recruitment-metric/?utm_source=UR+Recap+06%2F07%2F2017&utm_campaign=UR+Recap++6%2F7%2F2017&utm_medium=email [Accessed on 6 July 2017]
11. Nel, P *et al* (2004) *Human Resources Management* (6th Edition) Cape Town: Oxford University Press pp 551 - 552
12. Skosana, I. (2014) Work absenteeism costs SA economy R16bn a year. Bhekisa Centre for Health Journalism [Online] Available at: <http://bhekisa.org/article/2014-08-12-sa-losing-r16bn-a-year-due-to-absenteeism> [accessed 5 February 2017]

Cases:

Pharmaco (Pty) Ltd v Liz Elizabeth Weideman [2017] Labour Appeal Court Case No: JA104/2015

The contents of Human Resources Notes do not constitute legal advice. For specific professional assistance tailored to your needs, always consult an expert.

“PEOPLE MATTER IN BUSINESS”



HUMAN RESOURCES SERVICES

We advise and help clients effectively manage their employees to
reduce employment costs • reduce people risks • increase employee productivity

We resolve clients' employee issues and harness the worth of employees

Top 5 services:

- | | |
|--------------------------|---|
| 1. Outsourced HR partner | Regular on-site presence to identify, prioritise and proactively deal with employee issues affecting business performance. |
| 2. Fair dismissal | Execute all aspects of the disciplinary process including investigation, charge formulation, initiation, chairing. |
| 3. Compliance | Implement a framework of policies, procedures and practices which are compliant with employment laws and support business operations. |
| 4. Training | Develop and facilitate training in industrial relations, supervisory and management skills, negotiation, employment equity |
| 5. HR strategy | Identify people challenges and opportunities and implement initiatives to lever business performance. |

We implement **professional** and **cost-effective** solutions for all people challenges in business.

We help build the bridge between employees' performance and **business performance**.

Peter Fisher, HR Consultant

BSocSc | BSocSc Hons

HR Professional, Qualified, Experienced, Practical

+25 years' experience as HR Consultant, HR Director and HR Manager

Industrial relations expert

Connected with a network of leading HR experts

Contact Peter: 082 453 7034 | Peter.Fisher@tennant.co.za