

# 11

## Further human resource management

### Activity 11.3 (page 199) Improving employee performance at low-cost airline Asian Airlines

- 1 Calculate labour turnover and absenteeism rates for all years. [12]

labour turnover =  $\text{staff leaving} \div \text{average number of staff employed} \times 100$

absenteeism =  $\text{average number of absent staff} \div \text{total number of staff} \times 100$

Year	Labour turnover	Absenteeism
2007	$15 \div 200 \times 100 = 7.5\%$	$5 \div 200 \times 100 = 2.5\%$
2008	$25 \div 230 \times 100 = 10.9\%$	$7 \div 230 \times 100 = 3\%$
2009	$50 \div 275 \times 100 = 18.2\%$	$15 \div 275 \times 100 = 5.5\%$

- 2 Analyse possible reasons for the trends in the results you have calculated. [8]

Answers may include:

- There is an upward trend in labour turnover.
- There is an upward trend in absenteeism rates.
- The increasing number of employees may lead to increased labour dissatisfaction, as employees feel less important within the business.
- Employees may feel more alienated in the larger organisation.
- Ineffective recruitment will result in unsuitable workers being employed.

- 3 Explain two problems to this business of the worsening employee performance. [8]

Problems could include:

- Increased levels of absenteeism will undermine the quality of, and lead to a decrease in, customer service. Absenteeism will increase the stress on other workers and may lead to an increase in labour turnover.
- An increasing proportion of customer complaints could lead to a long-term fall in passenger numbers and a loss of market share to competitors.
- Falling productivity may increase average labour costs for the airline. As it is a low-cost airline, any increase in costs will compromise the firm's ability to be price competitive.

- 4 Evaluate *two strategies that the management of Asian Airlines could adopt to attempt to improve employee performance within the business.* [12]

Approaches to increasing employee performance include:

- **Quality circles** This gives responsibility to small groups of workers for identifying and finding solutions to operational problems. This may increase worker motivation by providing more challenging work and recognising the value of worker inputs. Giving responsibility is a motivator in Herzberg's 'two-factor theory' and fulfils one of the higher-order needs of Maslow's hierarchy of needs.
- **Profit sharing** This provides a reward for success and acts as an incentive to team effort. This may be of long-term benefit to Asian Airlines and be of particular use in giving employees a greater stake in the success of the business. As such, it would help reduce labour turnover and give an incentive to improve productivity. However, individual employees may not contribute effectively to the team as all workers receive a share of the profit. Shareholders may not be happy about profit sharing as it could reduce dividends.
- **Share options** This gives employees a direct stake in the business as they become part owners. This should provide an incentive to remain at the company and, therefore, addresses the problem of labour turnover. By making employees a part of the business, it will also provide an incentive to increase productivity.

Other options include:

- increased training to stretch and challenge workers and help fulfil higher-order needs
- appraisal systems to set employees agreed targets relating to performance – targets may be difficult to measure in the airline industry due to the nature of the work.

#### Evaluation may consider:

- The type of workers present within Asian Airlines – are they Theory X or Theory Y? If Theory X, would a hard approach to HR be beneficial?
- The cost of the option to the business and impact on other stakeholders, such as shareholders – as a low cost airline, it is essential to control costs; failure to do so will result in higher prices being charged.
- The underlying nature of the problem – HR may need to consider, for example, if the work is boring or if wages are too low (absence of hygiene factors).
- The likely impact on the different labour problems – for example, would increasing pay have any long-term benefit?