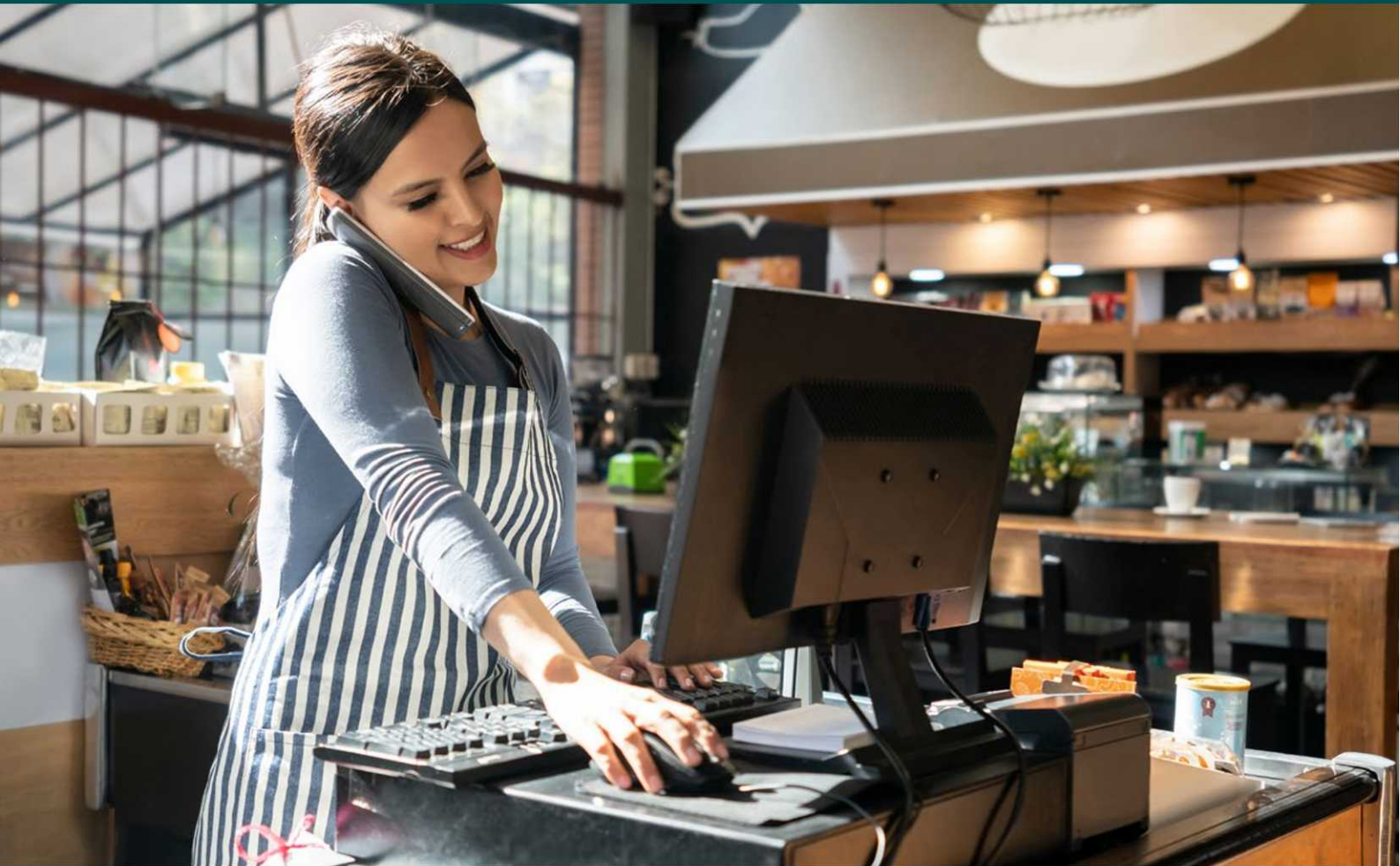


The Real Impact of Absenteeism on Retail Store Operations and Employee Engagement



Global Retail Absence Survey by
The Workforce Institute at UKG

Introduction

The retail world, traditionally one of the most competitive environments in which to work and make a profit, is coming under even more pressure with online retail, price reductions and the need to provide a truly enhanced customer experience. Recent holiday season figures highlighted the growing revenues from online purchasing and a decline in foot traffic in physical outlets. Consumer expectations are changing rapidly, and retailers need to provide a differentiated service that focuses on customer satisfaction and employee knowledge to help the customer in-store. But retailer performance has always been tightly aligned with a well-laid plan and sticking to it, especially in terms of staffing. The effects of absenteeism can swiftly knock a retailer's plan off course and erode performance potential just at the time when the consumer is in-store. So, managing and minimising absence is critical to staying on target and reduces the need for store managers to re-plan while already feeling stressed to ensure that there are sufficient resources to provide the right customer experience.

Absence is a natural part of any business, and the need to manage it proactively is essential for business success. It starts with understanding employees' preferences, considering their availability, and making it easy for them to modify their schedule or swap a shift as needed with minimal managerial intervention. After all, employees who work schedules built around their preferred hours and availability and who are empowered by self-service workforce management technology will be more engaged and happier, have fewer instances of absence, be more productive, and have a longer tenure with an organisation.

The Global Retail Absence Survey, conducted by Coleman Parkes Research for The Workforce Institute™ at UKG Incorporated, analysed the responses of retail managers across Australia, Canada, France, Germany, the U.K., and the U.S. (plus other regions), to examine the broad impact of absenteeism on major retail organisations with more than 1,000 employees. The survey exposes key issues, including:

- The corrosive effects of absenteeism on store operations and employee engagement
- Absenteeism's impact as one of the most complex, time-consuming challenges in the industry
- Managers forced to act reactively rather than proactively to ensure efficient store operations

A little about survey

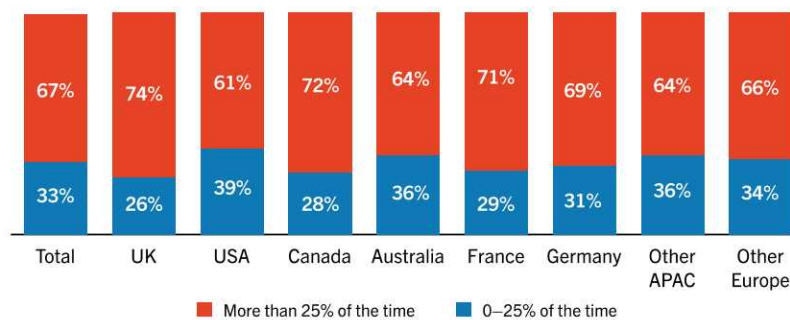
This independent research programme was conducted on behalf of The Workforce Institute at UKG by Coleman Parkes Research, an independent U.K.-based research company. Survey data was collected in June and July 2018 from 800 respondents using an online quantitative methodology. Survey participants were sourced from multiple global markets and represent a variety of retail sectors, including grocery, department stores, warehouse, specialty, convenience, and discount. Survey participants included retail managers, store managers, and heads of store operations.

Juggling staffing priorities the facts

According to the survey, an average of 67 percent of stores (74 percent in the U.K.) are understaffed more than 25 percent of the time during peak periods, adding significantly to the workloads of those who do work busy shifts (Figure 1) and possibly providing a less than satisfactory customer experience. In addition, 46 percent of stores report that they

have too many staff more than 25 percent of the time when workloads are low, indicating that there is a clear scheduling challenge in major stores across the countries in question. Unnecessary costs are being incurred when better scheduling would help resolve the issue.

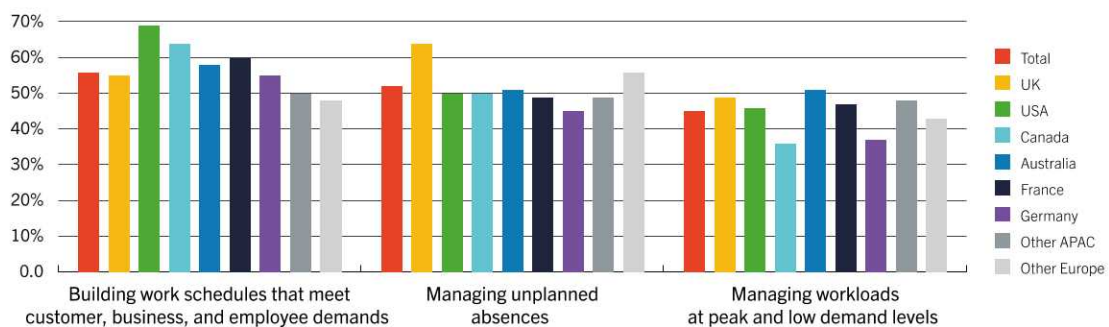
Figure 1
Proportion of stores that are understaffed more than 25 percent of the time at peak periods



It would therefore come as no surprise to learn that building work schedules that meet customer, business, and employee demands is the most commonly cited challenge being faced by managers in the retail sector (56 percent overall and 69 percent in the U.S., Figure 2). Managing unplanned absences was cited as a key challenge by 52 percent of survey participants, but the issue is far more acute in the U.K. (64 percent). Retailers (almost half) mentioned managing workloads at peak and low demand levels as a core challenge, with Australian retailers suffering the greatest.

This all indicates a major set of challenges around planning and execution in relation to providing a rich and efficient customer experience, while also meeting workforce’s wide range of needs, both work- and life-focused. Better planning, and the ability for employees to have control over their schedules, will provide an overall better experience for all involved and reduce a major stressor for management teams.

Figure 2
Biggest workforce challenges today



Scheduling and absenteeism

Schedules are typically available to employees between one and two weeks in advance, with retailers in the U.S. typically looking to publish a schedule one week in advance (44 percent). However, around one-quarter of schedules are changed after being posted, according to the majority of retailers surveyed (66 percent in Australia and 47 percent in France). However, 42 percent of all managers (53 percent in the U.K. and 49 percent in the U.S.) are given only one to three

hours' notice when an employee is not going to show up for work. Further, 28 percent (38 percent in France) are given only between three and five hours' notice. Clearly, absenteeism, with such short notice periods to plan and reschedule, will have a major effect on the retailer's ability to meet customer experience demands. It also indicates a potential lack of engagement among employees who give their employer short notice when they need to change a shift or cannot show up for work

Figure 3
Timing when schedules are published

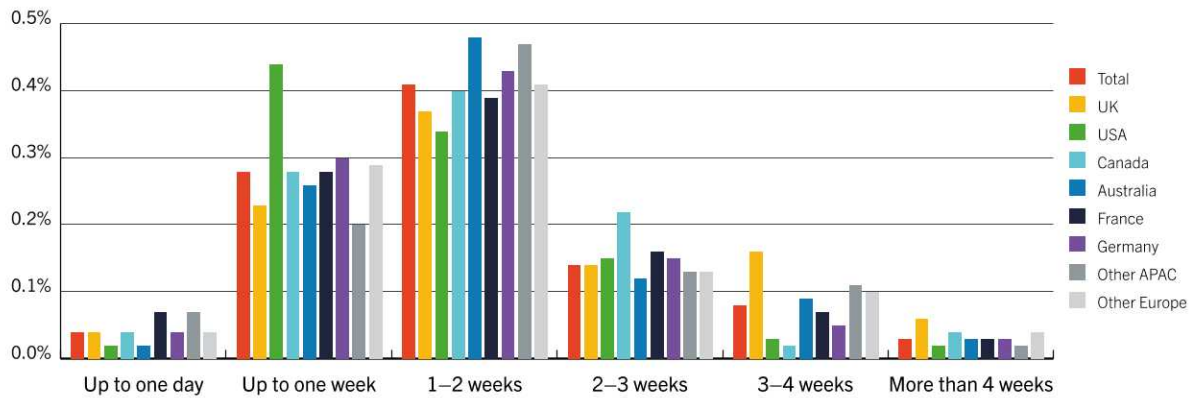
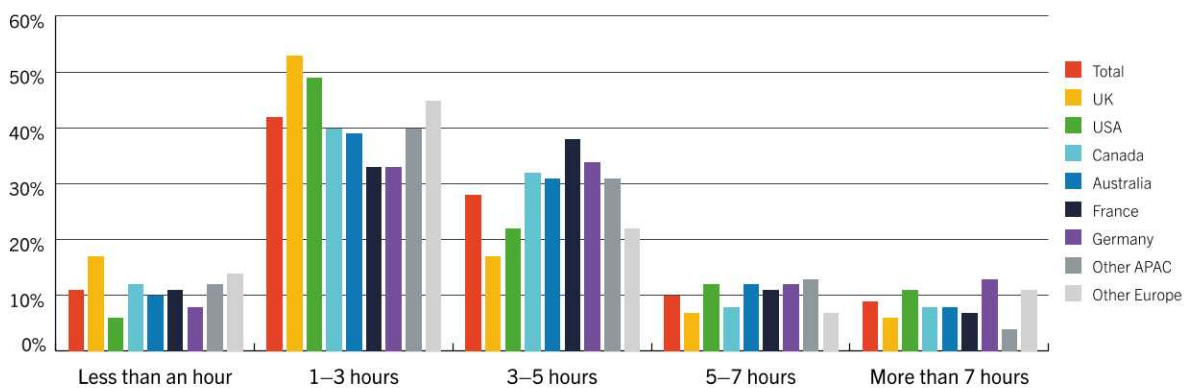


Figure 4
Notice given when an employee is not going to show up for work

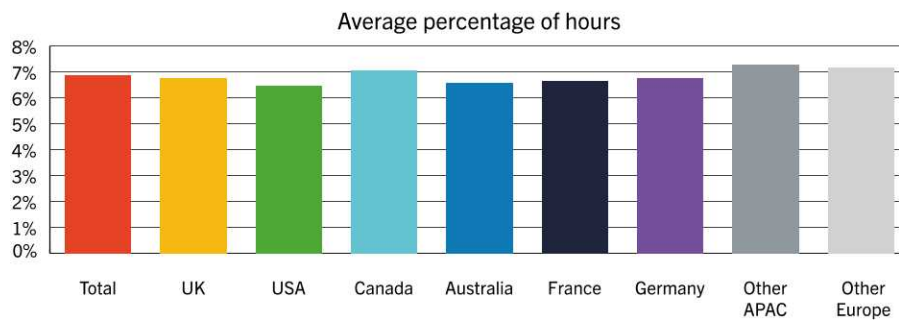


Half of all survey participants also reported that they find it quite challenging to deal with the additional administrative tasks caused by unplanned absences, which is understandable because they have little prior knowledge of the absence.

The survey also established that, on average, 7 percent of labour hours in a typical month are scheduled but not worked due to unplanned absences, with little variation across the countries in the study. This clearly causes additional

workloads for the employees working the shifts, as well as potentially major challenges for management to find the required resourcing, especially during peak times. No matter what level, absenteeism can have a corrosive effect on a retailer's overall business and the customers they are trying to serve. It also impacts other employees who have to make up for any resource shortfall, further causing a lack of engagement and satisfaction with an organisation.

Figure 5
Average proportion of work hours scheduled but not worked

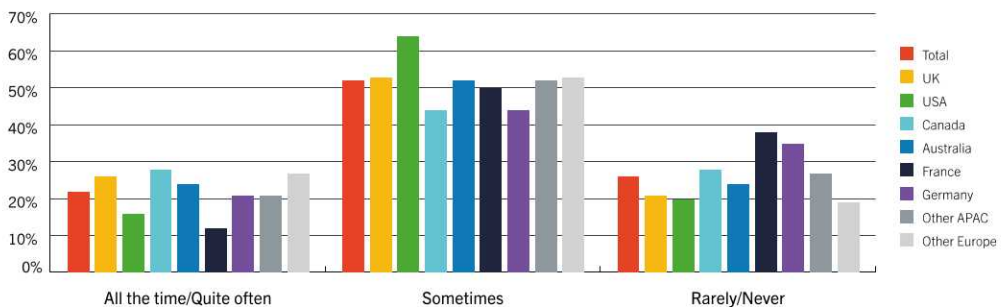


Shift swapping is happening but is currently very limited

While only 2 percent of all retailers report that shift swapping is not happening at all within their organisations, 76 percent overall (81 percent in the U.S.) say that shift swapping only happens sometimes or rarely, so the ability to swap a shift is indeed limited across the board. This may be due to cultural approaches or more likely techno-logical constraints. But with

a greater ability to self-manage a shift swap, managers can focus more time on value-add activities for their businesses. In addition, employees will be more in-control of their work-life balance and will become more satisfied and engaged with a proactive and understanding business.

Figure 6
Frequency of shift swapping



Few organisations do not allow shift swapping at all, but for the majority, a shift swap requires involvement of the manager in some part or through the whole process. Only 24 percent of all managers (25 percent in France) are happy for employees to sort out a shift swap without informing the manager, as long as the shift is covered by a colleague with appropriate skills. Cultural issues can play a major part in

this, as a hands-off approach does demand a new way of thinking for many managers. Or, this may reflect the need by the manager to reschedule staffing, as opposed to a real need to have full control of the process or a lack of confidences in the workforce to effectively reschedule. Whatever the case, managers should feel comfortable that shift swapping can be a highly proactive and productive activity that will allow them to have a full team of the right skills available for a shift.

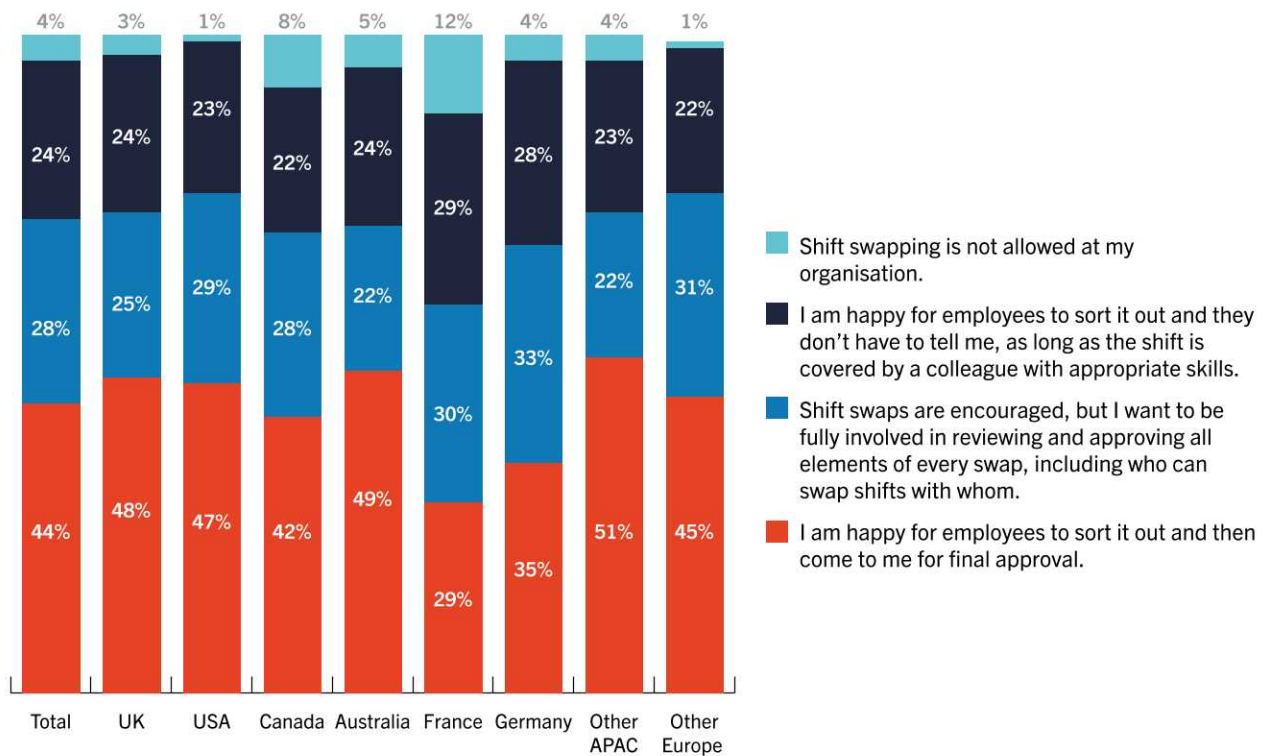


Figure 7
Approach to shift swapping

While few companies do not allow shift swaps, in 72 percent of cases (76 percent in Canada) manager intervention is required no matter whether the system is manual, electronic self-service, or mobile.

Forty-three percent of all retailers still employ a manual system, compared with a minority of 31 percent that use a self-service system (with or without manager intervention). Greater empowerment of the workforce has been shown to lead to greater satisfaction, as well as a better-managed shift as employees take the responsibility to ensure that their shift is covered if they are going to be absent for whatever reason. But current solutions for scheduling employees are, at present, a true mix of different systems.

- 29 percent report the system is part of the HR/payroll solution in use
- 23 percent say it is part of the workforce management solution
- 21 percent use spreadsheets
- 21 percent use dedicated labour scheduling solutions
- 7 percent (worryingly) use paper-based solutions

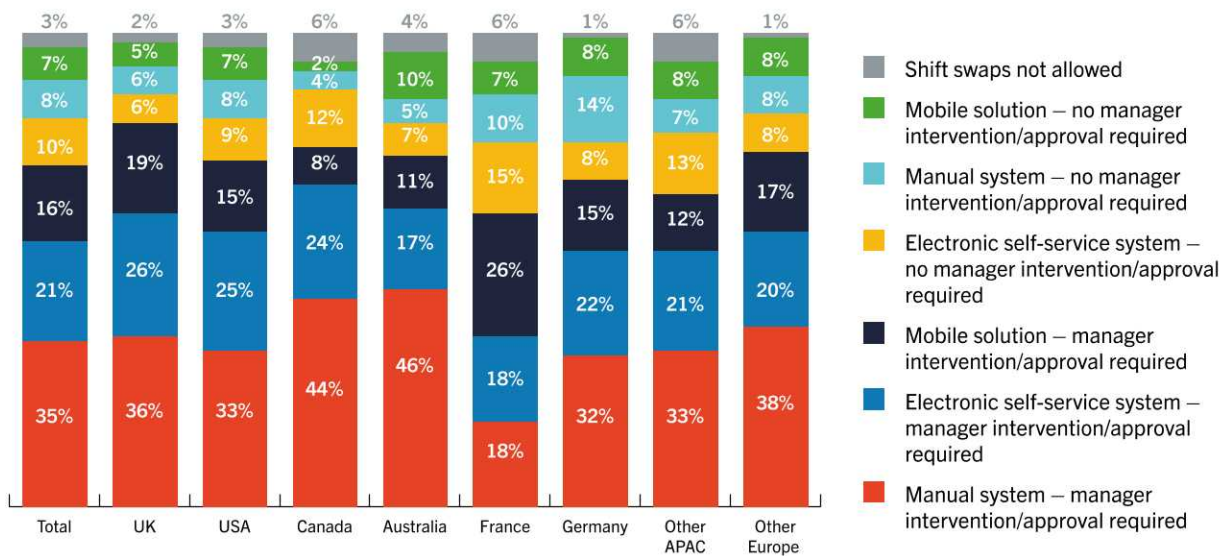


Figure 8
How shift swapping is managed

All in all, the systems do seem to be rudimentary for too many retailers and are failing to provide employees with the speed and flexibility they need to manage their shifts.

The impact of absenteeism

Clearly, absenteeism is a common occurrence across major retailers in the countries surveyed, adding complexity to a manager’s already stressful role. The impact can also be seen on staff morale, tenure, and overall satisfaction. Forty-six percent of all retailers said that absenteeism has at least a reasonable impact on staff morale (U.K. managers mentioned this more often), and 58 percent agreed that the impact on staff productivity is at least reasonably significant.

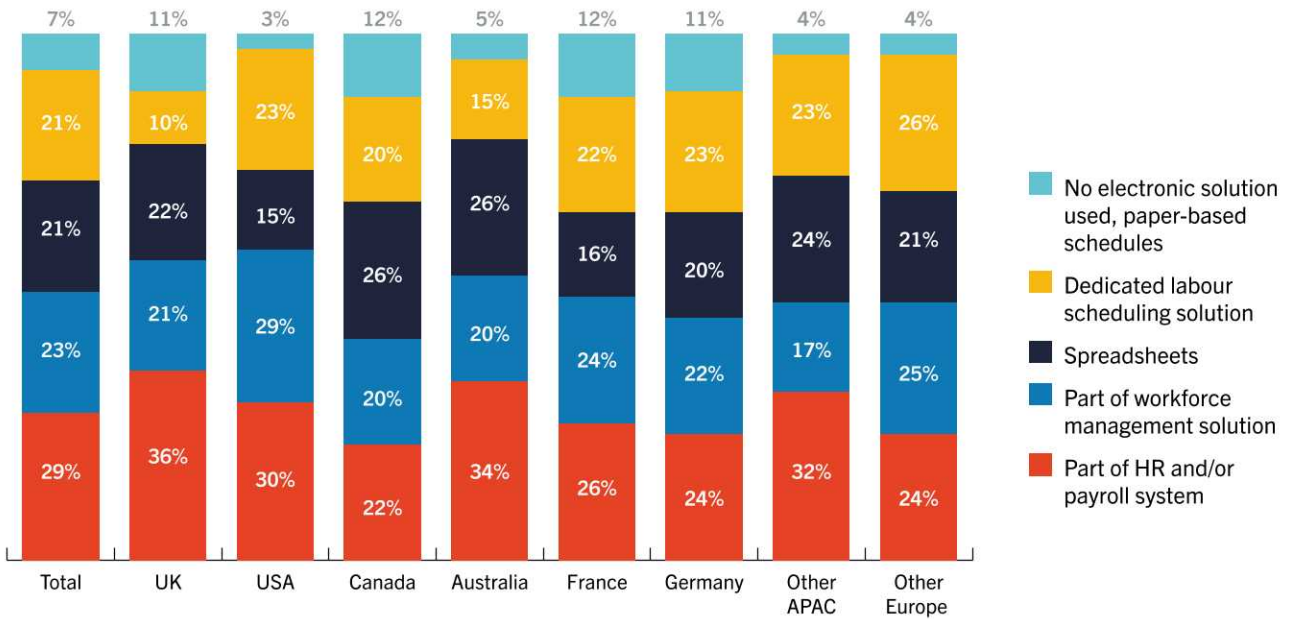


Figure 9
Technology in place to manage shift swapping

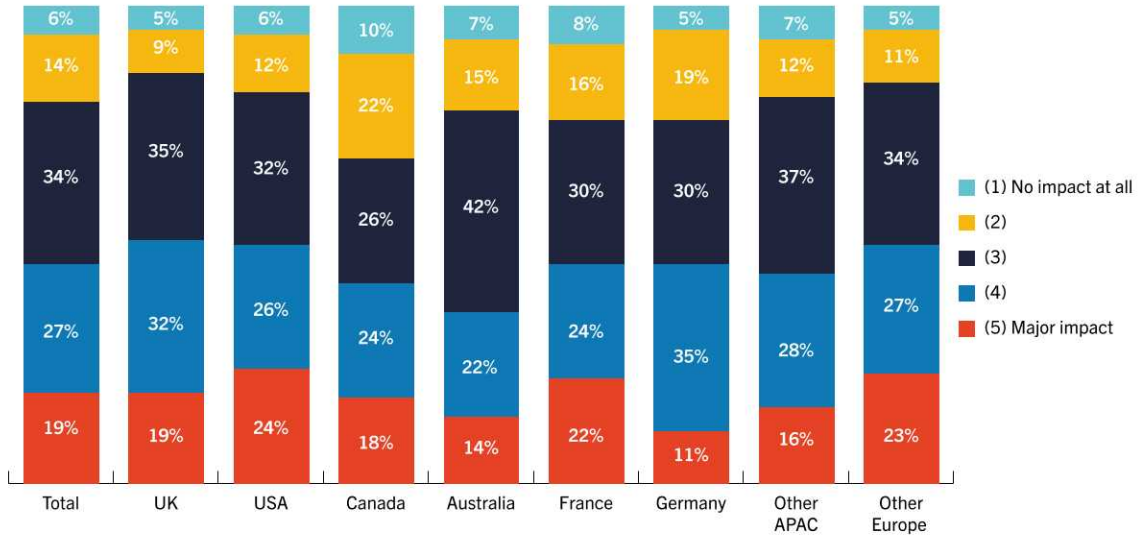


Figure 10
The impact of absenteeism on staff morale

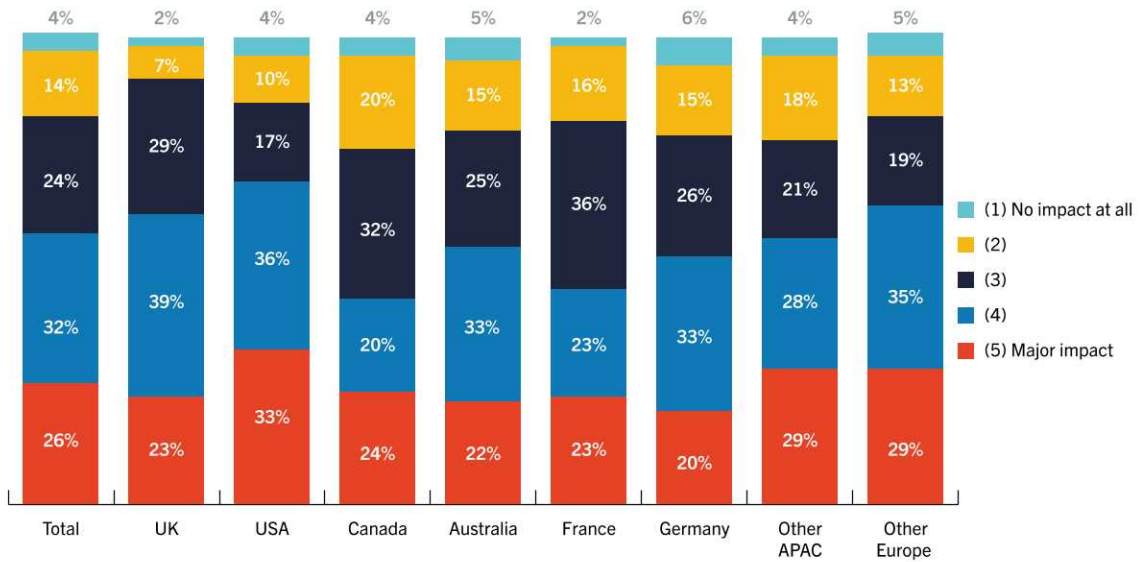


Figure 11
The impact of absenteeism on staff productivity

In addition to these:

- 42 percent of all retailers (55 percent in France) feel absenteeism has at least a significant impact on store revenues
- 47 percent recorded an impact on customer satisfaction (53 percent in France)
- 54 percent of all retailers (58 percent in the U.K.) agreed that absenteeism also has an impact on stress and managerial administration
- 39 percent mentioned there is an impact on labour budgets/payroll costs

What is clear is that absenteeism in the retail sector is taking its toll on many aspects of these organisations’ businesses, adding costs, complexity, and managerial stress. It is wreaking havoc on store operations at a time when, operationally, retailers need to be nimble, flexible, and completely customer-focused.

Overall, the highest rates of absenteeism occur during the weekends (31 percent, with 44 percent in the U.K., and 41 percent in the U.S.), while Monday is the most likely day of the week when employees will be absent. While this adds to the ability to plan, it also highlights a cultural issue among employees where an extended weekend seems to be common.

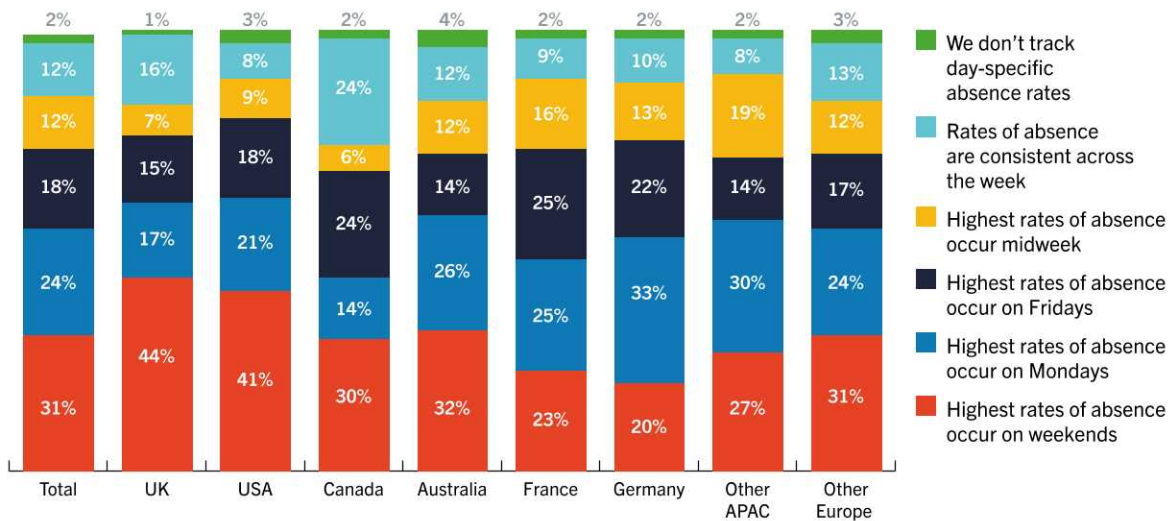


Figure 12
When absences are most common

To overcome likely and common absences, companies will overschedule, adding additional labour hours at differing percentages each day to cover for expected absences. Only 13 percent of retailers do not overschedule.

Technology can help

While 73 percent of companies (79 percent in the U.S.) have technology in place to manage planned absences, only 55 percent overall (60 percent in the U.S.) have technology in place to manage unplanned absences. Coupled with the fact that only 53 percent of retailers across the countries surveyed

have technology in place to aid shift swapping, it does appear that greater investment in technology will help manage absenteeism better, providing a more positive impact for the organisation.

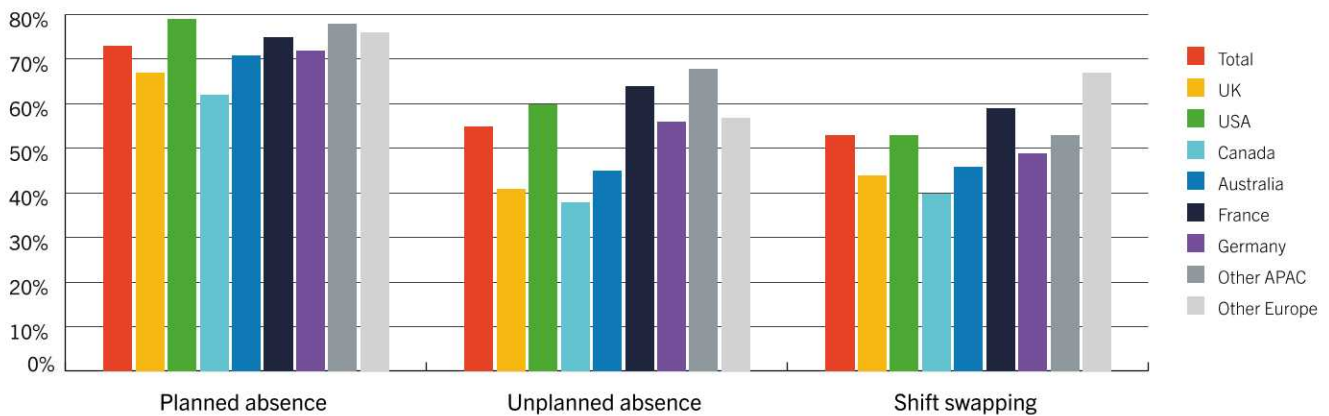


Figure 13
Technology in place for workforce management

Not only can technology help manage the absenteeism challenge better, but also it can reduce the reported challenges companies face with the administrative issues caused by colleagues working hours additional to those they were originally scheduled. Only one in five companies reported that it was not a challenge to manage these administrative issues, and adding additional hours to some colleagues schedules can have a major negative impact on employees who have been willing to take on extra hours but did not receive them.

The survey additionally found that:

- On average, 6 percent of labour hours in a typical month are unplanned/unscheduled but worked by employees. This was especially high in France.
- Half of respondents report that managing unplanned/unscheduled work has a big impact on staff morale. This was lower in Australia (36 percent) and higher in the U.S. (64 percent).
- Almost half of respondents state that managing unplanned/unscheduled work has a big impact on staff productivity. This was higher in the U.S. (57 percent) and lower in Germany (37 percent).
- Two-fifths of respondents report that managing unplanned/unscheduled work has a big impact on staff revenue. This was lower in Australia (25 percent) but higher in France (47 percent).
- Just over two-fifths of respondents cite that managing unplanned/unscheduled work has a big impact on customer satisfaction. This was lower in Australia (23 percent) and higher in France (48 percent).
- Almost half of respondents state that managing unplanned/unscheduled work has a big impact on stress and causes additional managerial administration. This was lower in the U.K. (33 percent) and higher in the U.S. (57 percent).

When questioned further about the areas that may have a positive impact on productivity, 62 percent overall (70 percent in Canada) pointed to a greater focus on work-life balance for team members; 59 percent (76 percent in Canada and 63 percent in the U.S.) pointed to improved scheduling technology; and one-third specifically cited technology that would help manage absences.

The impact of investing in a new or updated absence or shift-swapping tool is seen as generally positive.

- 58 percent of all retailers (77 percent in the U.S., 61 percent in the U.K.) think there would be a positive impact on staff motivation
- 53 percent overall (67 percent in the U.S.) would expect a positive impact on staff turnover
- 52 percent would expect a positive impact on unplanned absences
- 55 percent (74 percent in the U.S.) would expect a positive impact on team morale
- Half would expect a positive impact on customer experience
- A high 65 percent would expect a positive impact on store productivity
- Two-thirds would expect a positive impact on employee productivity — most common in the U.S.
- 62 percent would expect a positive impact on managerial stress levels
- 64 percent would expect a positive impact on work-life balance
- Two-thirds would expect a positive impact on proactive management of shift schedules by employees

In addition to these positive impacts, retailers report that a labour cost saving of 2.6 percent could be achieved through investment in a new absence or shift-swapping solution. They also projected a decrease of unapproved absence by 18.2 percent (23 percent in France). In short, there is significant benefit to be gained from the implementation of a new or updated solution.

Employee engagement is critical to success

Forty-three percent of all retailers (59 percent in the U.S.) rated employee engagement as very important to their organisation, and a further 35 percent rated it as somewhat important. Clearly, retailers fully understand that to get the right level of productivity from an employee is important, and indeed necessary. Yet they fail to have solutions in place that can impact absenteeism and absence management to make the workload of employees more manageable.

There is also an understood link between poor engagement and many different business issues, evidenced by the fact that:

- 57 percent of all organisations (63 percent in the U.S.) know that poor employee engagement has at least some impact on unplanned employee absences, and
- 52 percent (61 percent in the U.S., 55 percent in the U.K.) understand that poor engagement can have an impact on increased levels of staff turnover.

It seems vital that organisations have a fully engaged and thereby motivated and loyal staff for maximum business benefit. However, survey findings show that the technology in use, paired with current scheduling practices, hampers real employee satisfaction.

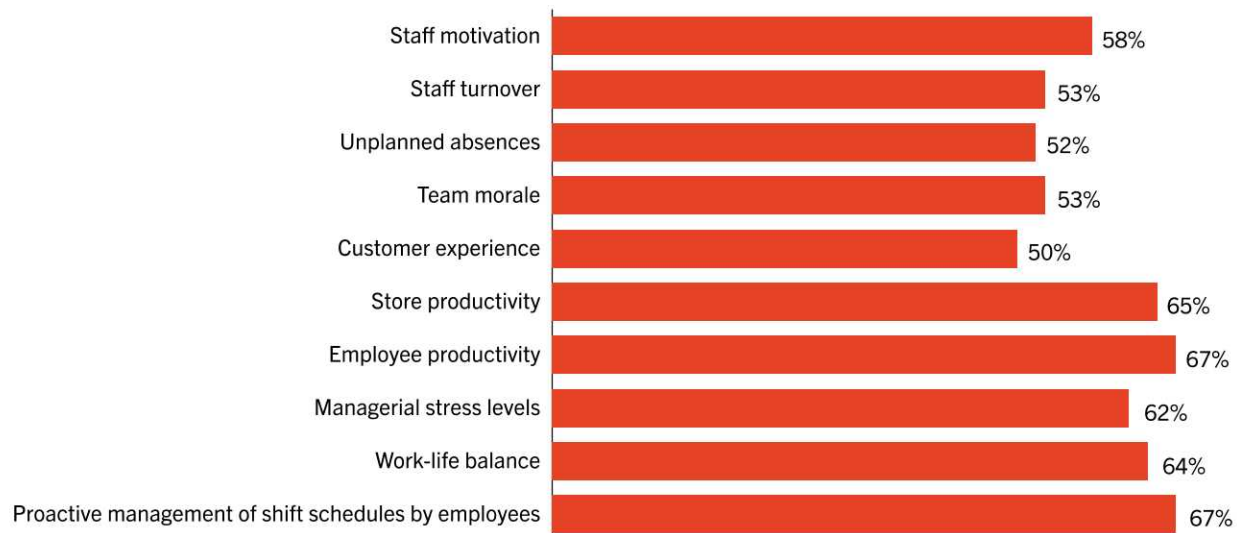


Figure 14
Positive impacts when a new/updated absence/
shift-swapping system was implemented

Conclusion

According to the global retailers polled in this survey, it is clear that unplanned absences wreak havoc on store operations, as retailers are faced with an average unplanned absence rate of 7 percent. It also has a major adverse impact on employees who have to work extra to fill in for absent employees. At present, managers are spending too much time rescheduling for shifts when a technological solution — one that empowers employees to take control of their own schedules and swap shifts independently and as needed — is available and is understood to offer significant benefits.

The current culture of many retailers and their technological infrastructure is failing to allow employees to organise a shift swap independently, thereby negatively impacting the feeling of true workforce empowerment and motivation. Retail absence is also corrosive to employee engagement, which is seen as very important to ongoing success by the majority of retailers, and a shift management or shift-swapping solution can have a positive impact on:

- Employee productivity
- Employee motivation and satisfaction
- Employee engagement
- Tenure
- Management decision-making
- Reduced stress for managers as filling vacancies on the fly is highly stressful
- Low and peak demand scheduling

Retailers also report that a labour cost saving of 2.6 percent and a decrease of unap-proved absence by a measure of 18 percent could be made through the investment in a new absence or shift-swapping solution.

Greater levels of employee engagement are required and can be founded on better solutions to manage work scheduling as well as the inevitable absence of some employees. The issue of absence needs to be transformed from a negative, difficult-to-manage issue into an employee-empowered solution that will drive greater productivity and return for retailers worldwide.

Retailers also report that a labour cost saving of 2.6 percent and a decrease of unap-proved absence by a measure of 18 percent could be made through the investment in a new absence or shift-swapping solution.

Greater levels of employee engagement are required and can be founded on better solutions to manage work scheduling as well as the inevitable absence of some employees. The issue of absence needs to be transformed from a negative, difficult-to-manage issue into an employee-empowered solution that will drive greater productivity and return for retailers worldwide.

About the workforce insitute at UKG

The Workforce Institute at UKG provides research and education on critical workplace issues facing organisations around the globe. By bringing together thought leaders, The Workforce Institute at UKG is uniquely positioned to empower organisations with the knowledge and information they need to manage their workforce effectively and provide a voice for employees on important workplace issues. A hallmark of The Workforce Institute’s research is balancing the needs and desires of diverse employee populations with the needs of organisations. For additional information, [visit www.workforceinstitute.org](http://www.workforceinstitute.org).



Building on 70 years of experience from two leaders in HR solutions, UKG™ combines the strength and innovation of Ultimate Software and UKG®. Individually, we've always put people at the center of everything we do. Together, we're committed to inspiring workforces and businesses around the world, helping to pave the way forward for our people, customers, and industry.

© 2021 UKG Inc. All rights reserved. For a full list of UKG trademarks, please visit www.ukg.com/trademarks. All other trademarks, if any, are property of their respective owners. All specifications are subject to change. SV0296-UKv2.