Key Trends in Workforce Management and New Challenges for HR

Marc Moschetto

By its simplest definition, *workforce management* refers to all of the processes and activities needed to maintain a productive workforce. As a business discipline, workforce management comprises several distinct areas, including time and attendance tracking, staff scheduling, absence and leave tracking and compliance, employment-law compliance, and the emerging area of fatigue risk management. Although workforce-management transactions have been automated for decades—dating back to the once-ubiquitous punch-clock—the discipline has evolved dramatically in recent years and is now used in savvy organizations and HR functions to measure and improve labor effectiveness and efficiency.

As workforce-management technology becomes more advanced, it enables organizations to automate a larger portion of critical labor activities, freeing up time for other strategic initiatives. In addition, the detailed information provided by these software solutions gives employers much greater visibility and insight into their workforce processes, which enables them to operate more nimbly and make better-informed decisions based on actual data. The employers that move beyond the long-standing "punch-in/punch-out" approach to workforce management and implement the tools and processes that enable them to better align employee schedules, activities, and costs with business objectives are the most likely to see measurable gains.

In light of factors such as an increasingly aggressive regulatory environment and increased global competition, organizations have been forced to reevaluate their workforce-management systems and strategies with an eye toward more robust automation and greater coverage for compliance requirements. One notable regulatory expansion is the Affordable Care Act (ACA), which has already been a catalyst for some workforce-management process redesign and system investment.

Several trends define the ways in which organizations are shifting their approach to these pressing issues. To identify and explore these trends, WorkForce Software and *Workforce* conducted an extensive survey of HR professionals in organizations of all sizes, industries, and geographic distributions. Released on October 7, 2013, some of the significant findings from the "Workforce Management Trend Survey 2013–2014" are summarized here.

HR'S GROWING INFLUENCE

One of the biggest shifts in workforce management today revolves around who actually owns the discipline. Although workforce management touches nearly every department within an organization, a growing

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number of companies are consolidating their workforce-management strategies under HR. According to WorkForce Software's research, 68 percent of organizations surveyed house workforce management in HR, representing an increase of 12 points from 2012. Not only does this increase illustrate that organizations are taking a more holistic view of employee activities, but it also highlights the growing awareness of using workforce management to support employee morale, retention, and performance.

In addition to common talent-related topics, HR teams are also increasingly tasked with ensuring their companies operate in full compliance with the many different wage, hour, and leave regulations at the local and national levels. A plurality of survey respondents (40 percent) indicated that the task of managing labor compliance has become much more difficult over the last year.

Despite the growing challenges associated with ensuring compliance, doing so has emerged as one of the most significant business priorities for today's employers. The risks of noncompliance are numerous and can generate substantial costs as well as a drag on performance. Although the dollar expenses of the fines and penalties resulting from noncompliance are a top concern, as ranked by 53 percent of respondents, an almost equal number (52 percent) suggested the impact of noncompliance with labor regulations can impair the company. This highlights the close relationship between workforce management and employee morale and retention. A positive corporate brand is a key feature in a company's ability to continually attract new talent and retain its best employees, further emphasizing why workforce management is increasingly handled by HR.

INCREASING WORKLOAD IN ENSURING COMPLIANCE WITH NEW LAWS AND REGULATIONS

Another emerging challenge for those responsible for workforce management is the constantly growing workload associated with ensuring compliance. Continuing an upward trajectory noted in last year's findings, respondents were 13 times more likely to report an increase in compliance-related work than a reduction. The study found two main reasons for this increase: (1) the rapidly changing laws and regulations and (2) the task of demonstrating compliance that is so crucial to reinforcing employee trust, confidence, and morale.

When asked about the most significant concern regarding their ability to handle the burgeoning compliance workload, 71 percent of respondents cited keeping pace with changing laws and regulations as their biggest challenge. Not only must HR adhere to these numerous and intricate policies, but they must also make sure employees are made aware of them, which can be particularly challenging for an employer operating in multiple countries with distinct compliance demands.

In addition, more than a quarter of respondents (28 percent) indicated that labor-law compliance is primarily an employee morale and engagement concern, as responses to labor laws directly influence employee attitudes. For instance, the reclassification of employees in regard to the ACA employee mandate has created anxiety about total hours, wages, and perceived value among employees, as well as skepticism about the reasons behind employer policy changes. This raises legitimate concerns for companies and their ability to maintain employee engagement. Lean compliance staffing has also prompted fears that employees will receive fewer communications and be left in the dark about why policy changes are taking place and how they will be affected.

GROWING CONCERNS REGARDING LEAVE MANAGEMENT

While the emergence of new laws, changes to existing laws, and employees who may not be clear on the purpose of these changes are challenging enough, specific changes to leave entitlements have raised additional concern. The sheer number and variety of leave entitlements available to employees has grown at a historic pace in recent years. As a result, employers operating in the United States can now be responsible for adhering to more than 300 state regulations from coast to coast, as well as mandatory sick-time ordinances in certain major cities and the leave policies specific to the organization. Companies with global employee bases face even larger hurdles as they must also maintain compliance with those international policies.

Among the numerous difficulties in administering leave, one of the most common challenges is the gaps in the communications process. In fact, informing HR about leave in a timely fashion is a top concern, with nearly half of all respondents (45 percent) ranking last-minute communication between managers and HR as a significant challenge. Another major factor was that leave-related workloads are often too large for available staff, as cited by 43 percent of respondents. Further difficulties include tracking intermittent and reduced-schedule leave.

Taken together, the top challenges affecting leave management reinforce each other. Overburdened HR professionals may have limited time to dedicate to managing leave in general, and the high-volume and low-duration nature of intermittent leave is even more difficult to track. Moreover, in environments in which the HR department lacks a formal mechanism for being alerted to a new leave case, requests may be received at the last minute with inadequate time to review eligibility, provide supporting forms, or otherwise ensure the proper steps have been followed.

IMPACT OF THE AFFORDABLE CARE ACT

Considered to be the most significant piece of domestic legislation in decades, the implementation of the Affordable Care Act will have a significant impact on a large number of employers with operations in the United States, including 65 percent of survey participants who will be affected by the employer mandate. In a positive sign, most organizations are taking a proactive approach to managing their upcoming ACA obligations. Overall, 60 percent of respondents claim to have a good understanding of the Act, while only 13 percent indicated that they do not have a strong understanding of how the ACA will affect their workforce-management processes.

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The sense of active preparation is further supported by the number of organizations reporting that they are committed to executing on the ACA strategy they had in place before the delay on the employer mandate. Although organizations now have until 2015 to ensure ACA compliance, 63 percent of respondents suggested they are pressing on with their plans.

The survey also revealed that most organizations with US operations are concerned with how the ACA will affect their business, particularly in terms of their part-time or contingent workforces. The biggest fears regard how complications affecting the hours of part-time workers can damage employee satisfaction and retention. This is especially important for organizations in which contingent workers make up a large portion of their workforces. Some respondents noted that the ability to offer flexible work schedules is a central recruiting tool, and as such, compliance with the ACA's employer mandate will have a deep impact on their contingent-labor practices. Regardless of the extent to which organizations are affected by the ACA, it is clear that most employers are ready to make the investments in more capable workforce-management solutions to address the labor regulations they currently face.

AUTOMATING MANAGEMENT PROCESSES

Although workforce management continues to be consolidated under the HR function, and is increasingly viewed as a pillar in achieving employee engagement and operational efficiency, organizations still report lackluster results against those goals. A primary reason for the delta between ambition and achievement in these areas is a lack of sophisticated workforce-management tools in place at most organizations. Despite the rapid evolution of workforce management and the growing number of tools available to automate those key processes, the majority of organizations rely primarily on in-house systems or manual processes.

Time and attendance management is the function most likely to have some degree of automation, with 40 percent of respondents using in-house systems, 33 percent relying on commercial systems, and only 18 percent still tracking employee time manually. Although in-house systems tend to be the method of choice and can be custom-built to meet the unique needs of the organization, they do present some limitations. For instance, they do not always integrate well with other systems or receive updates as commercial systems do, and they are typically less ready for rapid shifts in functionality to accommodate new regulatory pressures or changing business models.

The study also showed a significant and growing correlation between overall user satisfaction with the various systems and approaches being used. Unsurprisingly, manual administration and a mix of disparate systems proved to be the two least satisfactory approaches to workforce management. Commercial and outsourced approaches received the best reviews, while in-house systems for staff scheduling were rated highly as well. This suggests that scheduling practices are more fundamentally distinct by industry and company than other workforce-management functions.

The study found that one of the biggest factors contributing to dissatisfaction with workforce-management systems is the amount of manual work still required, with more than half of all respondents (52 percent) saying there is still too much manual work involved. The other major concern was poor integration with other systems, as noted by 40 percent of respondents. As workforce-management functions continue to be brought under HR's leadership, more attention is being paid to how a unified view of labor data can support effective decisions. This is confirmed by the number of large organizations indicating that the biggest shortcoming of their workforce-management systems was not manual labor but poor integration. And, as many organizations continue to use distinct, internally developed systems, integration continues to be a serious obstacle.

EMPLOYEE FATIGUE AS AN INCREASING RISK FACTOR AND GROWING MANAGEMENT CONCERN

The study also explored the causes, impacts, and business responses to employee fatigue. As overworked and overtired employees are more prone to accidents, employee fatigue is and continues to be a major concern for safety-intensive organizations. However, research shows that fatigued workers are less productive and more prone to make mistakes in any setting, not just those environments and industries where personal and coworker safety are at risk. The survey confirms the growing concern for employee fatigue, with more than half of all respondents indicating that workers are more fatigued than in previous years. In addition, 71 percent of organizations reported fatigue as having a moderate to major impact on employee performance.

When asked about the specific risks posed by employee fatigue, the answers varied by industry type. Those in the manufacturing, energy, and health-care fields cited safety concerns as their top fatigue-related issue, but business and professional services organizations cited negative business outcomes and poor performance.

There are several concerns regarding employee fatigue consistent across different industries as well. Leading the pack among the top concerns for both safety-focused and performance-focused industries is employee morale. This can be explained by the link between employees being overworked or inadequately rested and feeling less enthusiastic about their jobs. One potential result is unplanned turnover, and the resulting costs and impacts can cause major deterioration of business performance.

Given the significant repercussions and costs associated with fatigue, the survey aimed to reveal the biggest barriers to successful fatigue management. The most commonly cited obstacle was budget constraints, which indicates that organizations recognize the problems posed by employee fatigue but lack the adequate resources to comprehensively address it.

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Still, for many organizations, the challenge is in understanding how fatigue affects the business, as they do not realize that if left unchecked, fatigue can lead to additional time off due to sickness, accident, injury, or attrition due to overwork or stress. This correlation emphasizes the interconnected nature of workforce-management functions, as the areas of scheduling, attendance policies, and absences each contribute to and are affected by employee fatigue.

Strategies for Mitigating Fatigue

Although many organizations report insufficient resources to address fatigue holistically, a large portion of survey respondents report at least some level of prevention strategy at work today.

Among the numerous methods of addressing employee fatigue, the most widely used strategy is flextime, with more than a third of participants (35 percent) indicating the use of this practice. Another effective strategy for mitigating fatigue risks is schedule adjustments, which are used by 34 percent of respondents.

It is important to note that these two practices are not mutually exclusive, as they share a common dimension: added complexity for the scheduler. This highlights again the elevation of advanced workforce-management techniques, as both flextime and scheduling adjustments are rooted in an understanding of hours worked, essential skills, and available personnel. The use of these strategies also underscores the need for sophisticated scheduling systems to make fatigue-related adjustments easier for managers to administer in real time. Despite the fact that more organizations aim to mitigate employee fatigue, almost a third (32 percent) reported that they currently do not have a strategy in place, further indicating how many organizations still lack the resources to address fatigue appropriately.

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In addition to flextime and schedule adjustments, participants indicated that they use a wide range of strategies to mitigate fatigue, including the implementation of telecommuting policies, providing stress-management training, and relying on contingent labor. Less-utilized methods are the provision of health and wellness programs, work-life balance training, schedule balancing, and office-relaxation programs and activities, with health and wellness programs receiving the greatest number of mentions.

The survey also found differences in the use of fatigue-management practices based on an organization's size and geographic footprint. For instance, globally distributed companies tend to favor adjusting schedules (52 percent) rather than using flextime. This difference indicates some challenges organizations may have with implementing flextime on a larger scale, or perhaps the regulatory or cultural obstacles regarding flextime in certain regions. In addition, highly distributed organizations are more likely to utilize telecommuting (32 percent) as a strategy for addressing employee fatigue. As communication and collaboration technologies continue to improve, telecommuting will likely become a more popular option for mitigating employee fatigue risk and increasing employee engagement.

THE FUTURE OF WORKFORCE MANAGEMENT

The survey points toward a maturation of workforce-management infrastructure under way among employers of all sizes, with large organizations more apt to be ahead of the curve. One catalyst for this evolution is the need for increased visibility into, and analytics about, an organization's workforce due to new market and regulatory conditions. This is especially important given the uncertainty and confusion faced by many organizations and their employees in light of the ACA implementation. However, the greatest takeaway may be the increasingly strong linkage between workforce management and employee engagement, satisfaction, and morale.

Although the processes that comprise workforce management, such as scheduling, timekeeping, and leave management, are geared toward saving time, reducing errors, and boosting profitability, the operational gains are only part of the story. Each of these activities touches on matters that are sensitive and deeply personal for employees: when they work, how they work, and their rights when they take leaves. As such, more organizations have recognized the importance of workforce-management functions, process refinements, and new-solution purchases and their role in making the organization a more desirable place to work.

The other major takeaway from the survey is the growing interest in analytics platforms and leave-management automation that can deliver new workforce-based efficiencies to mitigate lost productivity. Still, the need to increase operational efficiencies and raise employee engagement is not in conflict; they just highlight the growing demand for workforce-management programs that are transparent and fair, while delivering more timely, reliable, and actionable data for centralized analysis. Increased expectations about what workforce management can and should deliver have led to higher rates of dissatisfaction with manual processes. As such, a workforce-management strategy shaped by people but built on the right tools can mean the difference between measurable improvements and breakthrough results.

Marc Moschetto *brings more than two decades of technology marketing experience to his role as the vice president of marketing at WorkForce Software. He has delivered his insights on technology and business needs, outsourced employee-benefits administration, and workforce management in articles in various publications, webcast presentations, blogs, and social-networking sites, as well as traditional seminars and presentations. Previously, he was the director of industry marketing and corporate communications at Workscape and has held senior marketing roles at human capital management providers Infor/Workbrain and SmartTime as well as General Electric. He may be contacted at mmoschetto@workforcesoftware.com.*