



Performance Measurement Tools

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HUMAN RESOURCE



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ABOUT STITCH DIARY

Stitch Diary is an educational blog by industry expert Mausmi Ambastha.

This is an attempt to educate people about the global apparel industry concepts.

What is the difference between SMV and SAM?

How can you optimize WIP in your industry?

What does NAFTA hold for the apparel industry?

All this and a lot more on www.stitchdiary.com

ABOUT MAUSMI

Mausmi, is an established expert in the garment industry with over 13 years of experience. Her brain child ThreadSol is a practical reflection of her ideology – “Buy what you need, use what you have!”

Mausmi, holds a Masters degree in Fashion Technology from NIFT, Delhi (India) and is also B.Tech in Computer Science. She has written over 20 publications for several leading apparel magazines like Stitch World and Fibre2Fashion.

Prior to ThreadSol, Mausmi did apparel consultancy and training with Methods Apparel in South-east Asia. She has also worked as a faculty at NIFT and loves to teach whenever she gets an opportunity.



INTRODUCTION

As stated by John Irvine in his article (StitchWorld, March 2009), Human Resource Management is the strategic and coherent approach to the management of an organization's most valued assets– the people who, work individually and collectively to contribute towards the objectives of the business. It is time for a fresh approach towards labour and as Charles Darwin said,“It is not the strongest of the species that survives, or the most intelligent, but the ones most responsive to change.” It is time to change and good organizations are doing it already.

As Edward L. Gubman, renowned writer and consultant in Human Resource Management observed in the Journal of Business Strategy,“The basic mission of Human Resources will always be to acquire, maintain, develop, and retain talent; align the workforce with the business; and be an excellent contributor to the business.”

Irvine also mentioned that Human Resource Department is driven by six key metrics. This article also follows the same route and states six key metrics and attempts to define Key Performance Indicators (KPIs) of HR Department for each of them.

- Recruitment and job analysis
- Training and career development
- Performance evaluation and management
- Promotions, termination and/or redundancy
- Industrial and employee relations
- Personnel administration



RECRUITMENT AND JOB ANALYSIS

This is the stage when an employee is recruited, undergoes a selection process and, having accepted an offer of employment, is inducted into the organization. Job analysis is a major part of acquisition process and consists of determining the nature and responsibilities of various employment positions. Job analysis has been discussed in detail by Dr. Prabir Jana in the article “Job Evaluation in Apparel Manufacturing”, (StitchWorld, September 2010).

Average time to hire: Time to hire is one of the most frequently used metrics for evaluating staffing functions. Usually measured in days, time to hire broadly reflects the total elapsed time required to staff an open position.

Σ (Date of hiring-date of request)

Number of hiring

The first thing to acknowledge when looking at time to hire is that it is primarily a measure of staffing speed; it is not necessarily associated with candidate’s quality. Time to hire is grossly inadequate for evaluating overall staffing effectiveness. However, it does provide useful information for evaluating staffing efficiencies. A direct implication of delayed hiring is on the billing loss due to the inability to staff and hence opportunity cost and stretching under-staffed teams.

EXAMPLE

There were three vacancies in factory XYZ and were filled in 1, 6 and 10 days, respectively. Therefore, average time to hire is $(1+6+10)/3 = 5.66$ days.



CASH & BONUS (C&B) TO REVENUE

Another important metric that works as a cost lever is C&B to revenue. An organization needs to decide the optimum percentage they wish to adhere to. Any expansive hiring (i.e. high salary) directly impacts the margins and skew the proportions.

$$\text{C\&B to revenue \%} = \frac{\text{Total C \& B} \times 100}{\text{Total Revenue}}$$

New hires achieving satisfactory appraisal at first assessment:

This metric reassures that the right quality of people have been hired for the job.

$$\frac{\text{Number of new hires achieving satisfactory appraisal}}{\text{Total number of new hires}} \times 100$$

In case of operators the supervisors should evaluate if the new hires are performing satisfactorily after the prescribed training is completed. This represents the efficiency of recruitment.

EXAMPLE

Factory XYZ hired 50 people in January. After 2 months during the first performance appraisal it was observed that only 40 people achieved satisfactory appraisal. Therefore, new hires achieving satisfactory appraisal at first assessment is 80%

New hires achieving x months of service:

Hiring new employees and training them for acceptable performance is a costly affair. For every new employee hired, the company spends a reasonable amount of time and money and if the trained employees quits, quickly this can be a major cause of concern. This metric is also useful while calculating early attrition and hence a direct cost to the organization. There can be various reasons for a low retention:

- Poor hiring technique
- Poor training and preparation for the job
- Poor work environment or amenities
- Lesser monetary or other benefits as compared to the industry
- Lesser opportunities of growth and development.

$$\text{New hires achieving } = \frac{\text{New hires achieving x months} \times 100}{\text{Total number of new hires}}$$

[Number of new hires retained: Number of newly hired people who have achieved x months of service in the company. Total new hires: Total number of people who were hired before x months]

EXAMPLE

Factory XYZ hired 50 people in January. After 6 months it was observed that 20 people had left the organization.

New hires achieving 6 months = 30
= $30 / 50 \times 100 = 60\%$

This means that company was able to retain only 60% of the newly appointed staff.



TRAINING & CAREER DEVELOPMENT

These are two related processes that increase the capacity of employees to contribute to organization's mission. The challenge is to continually find ways to invest in the development of employees while balancing the requirements of current work.

Average number of training hours per employee: This metric represents the focus of management towards training and development of its employees. This provides a growth opportunity to the employees within an organization. The operator can dream of maturing into supervisor's role.

Total number of Training hours

Total number of employees in the organization

Regular training programs should be organized for the employees so that they can do their present job with a better method or to gain new skills for the job.

Training penetration rate:

This metric measure the percentage of employees completing a course or a content area of training compared to total number of eligible employees employed.

Number of employees who attended the training **Number of employees who were eligible for training**

This measure provides a yardstick by which an organization can determine the proportion of the appropriate population that received the desired training. For required training courses, this measure can help an organization monitor and enforce compliance. For optional course areas, the measure can help an organization assess the impact of training awareness initiatives or expose course areas that might require further awareness efforts or curriculum alterations to bring about desired participation.

Training satisfaction:

This information must be collected after each training session via questionnaire/survey to get the feedback of the trainers and to realign the training path and improve performance of the trainers.



PERFORMANCE EVALUATION AND MANAGEMENT

Performance Appraisal is the systematic evaluation of the performance of employees and to understand the abilities of a person for further growth and development. The results of the evaluations can be charted and training requirements for the future analysed.

Percentage of low performing employees:

This represents the percentage of employees that are not performing up to the desired performance level. This metric will give the user the perspective on how an employee is performing and what type of training will be required in future.

$$\frac{\text{Employees performing lower than acceptable level}}{\text{Total employees evaluated}} \times 100$$



PERFORMANCE TRENDING

The Human resource department needs to investigate the cases where employee's performance is reducing and the reason for such behaviour needs to be analyzed. If possible, such threats should be mitigated and help should be provided to the employee.

Employee who is scheduled to work fails to come to work. Absenteeism means absence of workers from the regular work without prior permission, notice or sanction. It is an unauthorized leave and is different from regular holidays. In brief, absenteeism means absence which is wilful but avoidable.

$$\text{Absenteeism} = \frac{\text{Number of man-days lost}}{\text{Number of man-days scheduled to work}} \times 100$$

This formula can be used to calculate absenteeism rate for an individual as well as an organization. Absenteeism in the garment industry is in the range of 10% to 15%. This results in huge production losses and should be closely monitored.

EXAMPLE

Factory XYZ has 200 total employees and the factory was scheduled to work for 25 days in a month. There was 1 employee who was absent for 14 days, 7 employees absent for 2 days each and 14 employees absent for one day.

Number of man-days lost: $(1 \times 14) + (7 \times 2) + (14 \times 1) = 42$ man-days.

Number of man-days scheduled to work: $200 \times 25 = 5000$ man-days.

Absenteeism = 0.84 %



BRADFORD FACTOR

This is a method of calculating absence in order to put a 'weighting' on the absence. For example, a company will probably be more concerned (and experience more disruption) from frequent odd days of absence, than an employee who has one period of absence for a week.

This formula was devised by the University of Bradford.

Bradford Index Formula = $S \times S \times D$

where,

S is the total number of spells (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

EXAMPLE

Considering the same example as in the previous section,

One absence of 14 days gives $S=1$ and $D = 14$. Therefore, $(1 \times 1 \times 14) = 14$ points

7 absences of 2 days each gives $S= 7$ and $D = 14$. Therefore, $(7 \times 7 \times 14) = 686$ points

14 absences of 1 day each gives $S=14$ and $D =14$. Therefore, $(14 \times 14 \times 14) = 2744$ points.

In all the above cases, the number of days of absence is 14. However, the points vary owing to the frequency of absence. This is based on the understanding that it is possible to plan and reduce loss in case an employee takes an off for a longer period. However, in case of frequent short absences, it is not possible to reallocate work and the company loses to a larger extent. This factor should be used with caution as its only an indicator.



ATTRITION RATE

Labour retention is a big issue in garment industry. Most companies struggle in this area and have been trying to implement various measures to ensure lower labour turnover.

Attrition rate = (Employees who left during the period / average number of employees in company) * 100

Employees who left during the period:

All the employees who left the company during this period should be counted looking at company personnel records. This should include employees leaving through retirements and resignations. If some employees were laid off or fired this should not be counted under attrition.

Average number of employees in the company:

There are two ways to measure this:

- a. A normal average can be used for quick calculations. The number of employees in the beginning of the period is added to the number employees in the end of the period and the sum is divided by 2.
- b. A weighted average should be used for a more comprehensive result it will also consider the length of time for which certain number of employees was deployed. For an organization that is increasing or reducing in size, this is a better way to measure attrition.

EXAMPLE

Factory XYZ has 200 total employees in the beginning of the year. There were 50 people who left during the year. There were 250 employees in the end of the year.

Employees left during the year = 50

Average number of employees in the company,

Normal average = $(200+250) / 2 = 225$ Attrition = $50 / 225 = 22.2\%$

Weighted average: The company had 200 employees from January to September and 240 employees in October and November and 250 employees in December.

$= [(200 \times 9) + (240 \times 2) + (250)] / 12$

$= 210.8$

Attrition = 23.7%

This metric can tell the factory manager whether their efforts towards labour retention are reaping benefits or not.



EMPLOYEE RETENTION RATE

This metric explains as to how a company works to attract and retain talent. In order to reach our goals, we must hold onto the people who make our success possible.

A lot of organizations across the world are moving away from the indicator “employee turnover” and instead are focusing on “retention”. SAP sustainability report states that “One of the hallmarks of sustainability is that it entails long-term thinking... Retention better expresses what we are working to achieve: not just measuring turnover, but actively managing the retention of talent.”

Retention rate = ((Avg number of employees - employees left) / avg number of employees in company)* 100

This should be calculated in reference to a specific time period.

EXAMPLE

Factory XYZ has 250 employees at the end of a year. 45 people left during the year and 5 were fired. Employee retention = $\frac{(225-50)}{225} \times 100 = 77.77\%$

The measurement factors are pillars of support for good management of the factory. In order to use these performance measurement tools in the correct light one should take help from trained IE professionals or consultants.

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120+ customers in **15** countries plan **1 billion** pieces annually with ThreadSol products.