

Volume 30, Number 1, September 2023

Practice exam questions

The Great Resignation

Check your answers to the questions on pp. 24–25 of the magazine.

George Vlachonikolis

1

Turnover rate = (number of employee separations ÷ average number of employees) x 100

$$(75 \div 500) \times 100 = 15\%$$

2

$$(60 \div 200) \times 100 = 30\%$$

3 Sample answer

This question relates to the Edexcel specification.

Mark Hage

One important reason for JD Wetherspoon to minimise labour turnover is that profits for 2023 are 90.9% down on the previous year. As labour costs are one of the biggest costs of a business, minimising labour turnover would mean Wetherspoon will reduce costs on selection and training. Wetherspoon has managed to retain 18% of staff for over 3 years and further methods that encourage increased labour retention can only help to reduce costs further. Another reason to minimise labour turnover would be that the longer staff stay in their job, the more efficient they will become and customer service in the pubs should improve. This will both enhance customers' experience of the pub and encourage customer loyalty and larger customer spending on visits. This should lead to greater profit margins and reduce the impact on profits of the increase in national minimum wage.

However, minimising labour turnover will need to be considered in the context of the industry norms. For example, if competitors keep 18% of staff for over 5 years, Wetherspoon has not put sufficient strategies in place to retain staff. This means that Wetherspoon's costs of selection and training of new staff will be higher than competitors as it is having to undertake more recruitment rounds. This appears to be an unjustifiable reason for the lower profits of January 2023, as the company could have put in place strategies to avoid this. Wetherspoon may also be missing out on the benefits of higher labour turnover such as new staff bringing new ideas that may increase productivity. For example, new staff from another pub chain such as Miller & Carter would be able to pass on new ideas about unique steak offerings that could be incorporated into the Wetherspoon menu to produce a unique selling point that would more than cover the costs of the labour turnover and lead to further innovation and a competitive advantage.

The key to minimising labour turnover for Wetherspoon is to ensure that they are significantly better than competitors to reduce comparative costs. According to the extract, pub managers stay in the

position for around 14 years. If Wetherspoon are serious about emulating this success then they need to invest more money in giving staff guaranteed-hours contracts. This will result in better retention and create benefits, such as better teamwork, customer service and flexibility in the workforce, which in the long term may become a competitive advantage to Wetherspoon and turn the current 90.9% reduction in profits to an increase.

Sample examiner comment

Mark: 12/12 (level 4 — an excellent response fully focused on the question)

The answer gives a benefit of minimising labour turnover to Wetherspoon business. The answer then develops a benefit and drawback in detail using relevant analysis and evaluation of qualitative and quantitative data. Each point analyses the data in the context and the effectiveness of the suggested approach.

The conclusion gives a detailed evaluation of the value of minimising labour turnover including a recommendation as to how Wetherspoon could improve their approach to staffing.

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