

The Cost of Employee Absenteeism

How employee absences are costing your organization and solutions to rectify the problem



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With employee absenteeism rates increasing over the course of the past decade, employers need to educate themselves on the factors that lead to absences and strategies to stop this growing trend. According to Statistics Canada absence rates have risen from 8.0 days missed per worker in 2000 to 9.1 days missed in 2010. Employee absenteeism has a large effect on the bottom line of both public and private sector organizations. Realizing there is a problem and actively striving to develop a solution may have a large upfront cost but will ultimately save your organization a great deal over the long run.

Absences occur for many different reasons and some cannot be avoided. When absences are planned ahead of time, employers are provided the opportunity to find alternate coverage to help mitigate the cost of the absence. What really hurts an organization in terms of costs and productivity are the unplanned and/or sporadic employee absences. These cause added stress to co-workers called in to replace shifts or having to pick up the slack to make up for one less employee on job. When these unplanned absences are legitimate and occur infrequently an employer must accept the absence but what if this is not the case?

A study conducted by Kronos in 2011 found that 52% of Canadians have called in sick when they were not actually sick. A whopping 71% stated that the reason for calling in was feeling stress or frankly just needing a day off. Most stated they simply stayed home in bed watching television.

These types of absences are unacceptable from an employer's perspective and cost an organization a great deal of money every year.

Kronos found that unplanned absences cost employers up to 8.7% of payroll each year. These types of absences do not only have a direct cost but also result in a loss of productivity. The report found that work that was missed or postponed increased by 19% on days where unplanned absences occurred. These numbers reflect how large an impact employee absenteeism can have both directly and indirectly.

To underscore just how much employee absenteeism can cost an employer, we will delve into a government report released in June of this year. It found that Federal Public Service employees missed work an average of 18 days per year, amounting to more than \$1 billion dollars in lost wages over the course of a year. Despite this exorbitant number, it is important to understand that it is only considering the direct cost of absenteeism and would be much greater if the indirect costs could be identified. Indirect costs include the factors discussed in the preceding paragraph as well as overtime for other employees, lost sales/productivity and sinking morale among the remaining members of the workforce.

Now that we have established the costs associated with absenteeism, we shall delve into possible strategies for combating the problem. One option that is growing in popularity is the use of Flextime.

Flextime is a scheduling system that allows employees to work the same number of hours, but to determine their own schedules so long as certain organizational concerns are met. For instance, the organization may require that staff be present during certain "core hours" of each work day. During these core hours employees will be required to be at work. For the purposes of this example let us say that an organizations peak business occurs between 10am and 3pm from Monday to Friday. During these hours employees will be required to attend work but would have flexibility with respect to all other hours. Should

the employee wish to work 8am to 5pm they can or if they prefer they could work 10am to 7pm. If coverage allows it, another arrangement could be to allow longer lunches so that employees could go to the gym for example.

Flextime requires a great deal of coordination and organization to be effective but provides a great opportunity for an employee to achieve work-life balance while the employer is able to achieve its goals in getting the job done. With greater flexibility in scheduling, employees may be less inclined to call in sick as they will be less stressed overall. Flextime is a proactive solution to the problem of absenteeism and may result in the added benefits of increased productivity and making your organization an employer of choice for qualified applicants.

As great an idea as Flextime is, it is simply not feasible for certain organizations due to their regular work hours or industry. As such, these types of organizations will need to find alternative ways to address absenteeism problems. One solution is the establishment of an attendance management program.

An attendance management program is designed to solve absenteeism issues using a non-punitive, problem-solving approach. The program creates specific policies and procedures that are to be utilized consistently across the entire organization. Consistency in applying an attendance management program cannot be emphasized enough.

The program should define innocent absenteeism (beyond the employee's control) and culpable absenteeism (under the employee's control). Determining which is which and identifying whether an employee's attendance is not acceptable is reliant upon their manager's ability. This is an important cog in the program and may require management training to be implemented effectively. If there is a specific underlying cause for the employee's absences, assistance should be offered. However, if the employee does not accept the assistance or their attendance remains unsatisfactory, corrective action should be implemented.

One of the most important aspects of the program is accurate record keeping to facilitate the

identification of excessive absences and to help initiate attendance management measures. Individual employee absences should be documented, as well as departmental and organizational absence statistics. Comparing an individual's absences to the established norms is a key factor in determining whether further attendance management procedures should be used. It is important that acceptable absences such as vacations and scheduled leaves of absence be identified as such.

When a manager determines that an absenteeism problem exists, they should initiate a meeting with the employee. In this meeting the employee must be made aware of the incidence of absenteeism, the disruption it has caused to the organization, ask if they can help the employee solve the problem in any way, and inform the employee that continued absences could jeopardize their status of employment. Goals for improvement should be set which will be monitored closely. If the goals are met, the manager should acknowledge the improvement directly with the employee in question; however, if goals are not being met, the manager can initiate another meeting expressing the seriousness of the problem and establishing new goals. If the employee continues to fail to correct their attendance issues, the final action can be termination.

The system provides the employee numerous opportunities to correct their behaviour. A system such as this provides a progressive, non-punitive approach to attendance management. Proper management training, accurate record keeping, and consistent application are the keys to the success of such a program. If these tenets are followed an attendance management program can be the tool your organization needs to solve this costly problem facing all organizations today.

The most important thing to consider when it comes to absenteeism is that the problem is not going to fix itself. Management must be proactive and implement strategies to combat the issue. Management's commitment to solving the problem will ultimately lead to a great improvement in the organizations bottom line which is a goal everyone can get behind.