

Absence Management in the Land of the Long Weekend....

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Whaddaya mean? I am **entitled** to 4 weeks paid holidays **and** 8 days paid sick leave **and** 3 paid 'personal days' **and** when that runs out, I am **entitled** to compo!

Describe this mentality to an American, a German or a Japanese worker and you would get at least an incredulous look. More likely one of disgust.

But things are changing in the Australian market. Employers have long recognised the cost of absence in the workplace. However, in recent times they have stopped throwing up their hands in helplessness and begun implementing absence management or attendance improvement policies and procedures to stem the productivity drain.

This presentation looks at a growing trend amongst Australian organisations to introduce absence management (also known as 'attendance improvement') **regardless** of the cause of absence.

The issues covered include:

- definitions of absence
- statistics re: the extent & estimated cost of absence
- causes for absence
- some strategies for absence management

Absence Defined¹

Absenteeism is ... the failure of employees to report for work when they are scheduled to work.

This does not include employees who are away from work on recognised holidays, vacations, approved leave of absence or leave of absence allowed under collective agreement provisions.

¹ Attendance Management: Working Together: Introduction to Attendance Management www.benefits.org/interface/cost/absent



Innocent Absenteeism refers to 'employees who are absent for reasons beyond their control- eg: sickness and injury – of the employee or their parent, partner or child.

Culpable Absenteeism refers to employees who are absent without authorization for reasons which are within their control.

Presenteeism is a recently coined term referring to workers attending work while sick or injured. They are often not working at 100% capacity due to discomfort or the side effects of medication.

Yet they 'soldier on', possibly causing more damage to productivity by infecting or causing others injuries as a result of having to take on heavier workloads.

There is a time and place for absence.
Considered application of absence management is essential.

Absent Stats

No, that is not a typo. Definitive information on the extent and cost of absence in the workplace place is thin on the ground. Many Australian organisations are only now beginning to install absence management and data mining technology to measure these things.

However, in the US, CCH² has been conducting an 'Unscheduled Absence Survey' for the last 10 years (since 1990) and has become one a definitive source of quantitative and qualitative information on workplace absence trends.

It should be noted that the CCH Survey is predominantly qualitative, based on the opinions of those surveyed. However, the insights collected provide a good base of information on the types of absence management strategies and programs in use today.³

The most recent survey showed a slight drop in unscheduled absenteeism, from an average of 2.7% to 2.1% of the workforce.

This is comparable to Australian figures from the Australian Workplace Industrial relations Survey of 1995 which found that 'on an average working day in Australia, 2.7% of the work force are absent or on sick leave. That's an average of seven sick days a year.⁴ Canadian figures seem to be slightly higher at approximately 3% of the workforce being absent on any given workday.⁵

The CCH Survey indicated that 41% of employees take 0-2 paid unscheduled absences, 43% take 3-8 days, while 13% take more than 9 days.

In the Australian market, a study by the recruitment company Morgan & Banks⁶, found that 12.4% of people surveyed admitted that none of the sickies they had taken during the previous year had been genuine. Morgan & Banks found that 67% of the respondents preferred to take a sickie on a Monday and 25% chose a Friday, because this gives them an extended weekend.

According to Morgan & Banks, NSW workers take the highest number of sickies at an average to 7 to 10 days off per year.

The main Australian industries hit by absenteeism include retail, tourism, manufacturing trades, government and the transport sector. Job boredom,

repetitiveness and dealing with the public (who are sometimes hostile and thankless) influence these absences.

Alternatively, fewer sickies are taken within the engineering, chemical/oil and construction/property sectors. Perhaps the subcontracting nature of these sectors leads to stronger focus on productivity and therefore less absence?

According to the Australian Bureau of Statistics (ABS), in Sept 1999, 194,100 working Australians (out of a total of 8,908,000) took sick leave (2.17%). This included 110,770 sick days for men (57%) and 83,400 sick days for women (43%).

Causes of Absenteeism⁷

The causes of absenteeism are many and include:

- low morale
- serious accidents & illness
- poor working conditions
- boredom on the job
- lack of job satisfaction
- inadequate leadership and poor supervision
- personal problems (financial, marital, substance abuse, child care etc.)
- poor physical fitness
- inadequate nutrition
- transportation problems
- the existence of income protection plans
- collective agreement provisions which continue income during periods of illness or accident.
- stress
- workload
- employee discontent with a collective bargaining process and/or its results

In the Morgan & Banks study, the most popular excuses included:

- The 'flu' (54%)
- Stomach upsets (21%)
- Migraines (12.2%)
- Diarrhoea (6.4%)
- Food Poisoning (5.7%)

The CCH Survey found the main reasons given for unscheduled absence included:

- Personal Illness (40%)
- Family Issues (21%)
- Personal Needs (20%)
- Employee's Entitlement Mentality (14%)
- 'Stress' (5%)

² 2000 Unscheduled Absence Survey

www.hr.cch.com/press/releases/2000-unscheduled-absence-survey

³ The Survey obtained input from 150 Human Resource Executives in US organizations of all sizes and across major industry segments in 41 states and the District of Columbia. The survey reflects experiences of randomly polled organizations with an estimated total of 899,425 employees. Mean absence rates were calculated by dividing total paid sick-hours by total paid-productive hours. Scheduled absences such as vacation, legal holidays, jury duty personal time and bereavement leave were not included.

⁴ 'Classic Sickies' by Bronwyn Donaghy, Sydney Morning Herald, Employment Section, 20 Nov 1999,

www.archive.fairfax.com.au/newslink/smh/view.vts?action

⁵ ibid 1

⁶ ibid 4

⁷ ibid 1

Not surprisingly, the CCH study found that while 'personal illness' was most often given as the reason for absence, in actual fact, the reality was more of a 'Personal Need'.

For some reason it is
considered more acceptable to
have an 'illness' than to have
'issues' to deal with.

The Cost of Absenteeism⁸

There are three organisational 'cost' implications resulting from absenteeism:

- Decreases in productivity
- Financial costs
- Administrative costs

Decrease in Productivity

- employees may be carrying an extra workload or supporting new or replacement staff
- employees may be required to train and orientate new or replacement workers
- staff morale and employee service may suffer

Financial Costs

- payment of overtime may result
- cost of self-insured income protection plans must be borne plus the wage costs of replacement employees
- premium costs may rise for insured plans

Administrative Costs

- staff time is required to secure replacement employees or to re-assign the remaining employees
- staff time is required to maintain and control absenteeism

Morgan & Banks quantify the impact of sickies on the Australian Business Community at \$2.56 billion dollars a year.

Absence Management Strategies Work-Life Programs

Work-Life Programs are programs which acknowledge the importance of balancing work commitments with life commitments and promote flexibility in achieving this balance.

The 2000 CCH Unscheduled Absence Survey⁹ asked Human Resource executives to rate the effectiveness of various Work-Life Programs. On a scale of 1-5, with 5 being the most effective, the following programs were ranked as most effective:

- Flexible Scheduling (3.8)
- Compressed Work Week (3.8)
- Leave for School Functions (3.6)
- On-site Health Services (3.6)
- Job Sharing (3.5)
- Telecommuting (3.5)
- Employee Assistance Programs (3.0)
- Work-Life Seminars (3.0)
- Wellness Programs (3.0)
- Child-Care Referral Programs (2.8)

On average, the Survey found employers had 3 to 4 Work-Life programs in place. Not surprisingly, organizations with 'good' to 'very good' morale tended to offer more programs (3.6) than those with 'fair' to 'poor' morale (3.1).

The most commonly offered Work-Life programs included:

- EAP (73%)
- Flexible Scheduling (66%)
- Wellness Programs (41%)
- Job Sharing (25%)
- Leave for School Functions (24%)
- On-site Health Services (23%)
- Telecommuting (20%)
- Work-Life Seminars (15%)
- Child-Care Referral Programs (14%)

Hmmm. Note the discrepancy between the programs considered most effective and the actual programs offered! Perhaps it's time to go back to the drawing board for some organisations?

Australian examples of success with Work-life programs include AMP Financial Services and legal firm, Blake Dawson Waldron.

AMP Financial Services won top honours in the 1998 Corporate Work and Family Awards for effective staff policies. In particular, AMP provides 'personal emergency leave for those days when the plumber doesn't turn up on time or when there is some crisis at the school'. This leave can be taken in two-hour blocks as well, so people can arrange to be absent for a brief period without having the whole day off¹⁰.

Beginning in 1995, the legal firm Blake Waldron Dawson took some radical steps towards more flexible working arrangements and now boasts an

⁸ ibid 1

⁹ ibid 2

¹⁰ ibid 4

absenteeism rate of just 0.7%¹¹. They focused on a number of issues, including part-time partnership arrangements to accommodate both male and female partners who want to spend time with their young families.

Absence Control Programs

These programs are specifically targeted at getting employees to 'think twice' before taking unscheduled leave. They include:

Paid Leave Banks (aka Paid Time Off Programs) which provide employees with a bank of hours to be used for various purposes instead of traditional separate accounts for sick, vacation and personal time.

No-Fault Systems limit the number of absences allowed, regardless of circumstances, and take specific disciplinary actions if that number is exceeded.

Buy Back programs compensate employees for the allotted time that they do not use.

Other more traditional 'absence control' programs include Disciplinary Action, Yearly Review Process, Personal Recognition and Bonus programs. The most effective Absence Control Programs according to the CCH survey¹² were: (ranked on a scale of 1-5, with 5 being the most effective).

- Paid Leave Banks (aka Paid Time Off (PTO) Programs) (3.9)
- No-Fault Systems (3.7)
- Disciplinary Action (3.5)
- Buy Back Programs (3.4)
- Yearly Review Process (3.2)
- Personal Recognition (3.1)
- Bonus Programs (3.1)

As with the Work-Life Programs, many organisations do not 'walk the talk'. The reported **actual** use of Absence Control Programs in the work place is as follows:

- Disciplinary Action (88%)
- Yearly Review (58%)
- Personal Recognition (33%)
- No Fault Programs (31%)
- Paid Leave Banks (21%)
- Bonus Programs (21%)
- Buy Back Programs (17%)

A case study from the Rockford Memorial Hospital¹³ in Rockford, Illinois demonstrates the effectiveness of a Paid Leave Bank or Paid Time Off (PTO) Program. Over a three-year period in the early 90's they reported a saving of \$2.7m as a result of their PTO Program.

The Hospital realised that its sick leave policy (like many organisations) actually sent the message 'Don't come to work and still we will give you benefits'. They realised that their employee handbook encouraged 'entitlement mentality' with statements such as 'employees are granted 10 days a year for sick time' or 'employees earn one sick day a month'.

To counter this mentality the Hospital implemented a PTO program which gave each employee a 'bank' of time to be used for absences (sick, vacation and personal time). Legal holidays, jury duty, bereavement leave and military leave were excluded because not all employees use them.

Is it any surprise employees view sick leave as a 'use-it-or-lose-it' benefit?

Every time an employee needed time off, they dipped into their reserve of days. The Hospital found that "employees appreciated not having to fib to take time off."

This 'self management' model meant that employees had a sense of control in balancing work and life commitments. Managers benefited by being better able to plan ahead for absence, since employees were less inclined to be 'suddenly sick' in order to take time off for personal issues.

No-Fault Systems tend to be implemented in manufacturing or repetitive process industries.

US carmaker, Chrysler, implemented a 'No-Fault' program that 'allows up to nine absences every 12 consecutive months before triggering a mandatory 10-day layoff (without pay)'. When an employee returns after the layoff period they are on probation for 12 months. Another 2 unexcused absences in this period lead to dismissal. In 1997, 250 workers were dismissed on this basis.¹⁴

Chrysler also employed 'attendance counsellors' to assist employees to address issues surrounding absence.

¹¹ 'Balance: The myths of time in the workplace' by Mike McCoy, Australian Financial Review, Magazine Work Lore Section, 28 Jan 2000

¹² *ibid* 2

¹³ 'Get control of the absentee-minded' (How Rockford Memorial Hospital curbs absenteeism by modifying time-off policies) by M. Michael Markowich and Steve Eckberg, Personnel Journal, March 1996 v75 n3 p115(6).

¹⁴ 'Carmakers get tough on absentees', Charles V. Tines, Business Section, The Detroit News, July 27 1997, www.detnews.com

What a nightmare to administer!

Yes, absence tracking is still a logistical nightmare for many organisations. An important impediment is related to **data limitations** and includes two components¹⁵:

- No internal data to justify change
- Data systems are not linked

Employers need a system that centrally captures lost time data and integrates with other systems.

The beauty of emerging Internet based products is that they can be (relatively) easily integrated with existing systems such payroll, workers compensation and rostering.

One such system is the 'Absence Manager' program which provides a vehicle for managers at various sites to enter absence information at their end and rapidly relay it to the payroll department as well as corporate departments monitoring absence in the organization. See www.absence-mgr.com

The other main impediment to administration is getting managers used to consistently tracking and managing absence. This runs to the core of organisational culture and may take many years to truly start to show a shift away from 'entitlement' mentality towards 'productivity' mentality.

The process of addressing change to achieve better absence management is a topic that requires far more discussion. Suffice to say, organisational 'buy-in' to addressing the reasons for workplace absence and focusing on solutions to promote attendance, is as critical as addressing data limitations and generally has more far-reaching implications.

An Australian Revolution¹⁶

Employers do not have to do it all themselves! Several insurers and management consulting groups have recognized the applicability of the US 'integrated health, risk and disability management' approach to the Australian market.

Aon Consulting director, Tim Dwyer, comments 'It's part of a very important change in thinking, away from seeing well-being as just an occupational health and safety issue towards a view that employees' real problems are likely to be non-workplace related, but do exert a real impact on workplace performance'.

¹⁵ Integrated Benefits Institute, www.ibiweb.com

¹⁶ 'Curing the body corporate' Victoria Steggall, *HR Monthly*, Australian Human Resources Institute, July 2000 p16, www.ahri.com.au

To this end, the Aegis product is the first Australian 'IDM' (integrated disability management) product on the market. It is a joint effort between Mercantile Mutual, QBE, MBF and employee counselors and includes health promotion services, a full range of insurance products (eg: life, salary continuance, workers compensation and medical insurance).

One of the first to try the Aegis approach was the technology consulting group, Sinclair Knight Merz.

A range of Work-Life Programs were implemented; voluntary health and wellbeing seminars, flu vaccinations and reduced private health insurance. They also changed from having managers refer staff to the EAP to one of encouraging self-referral.

The program has only been in place for a year (since 1999) but anecdotal evidence indicates the absenteeism rate will reduce.

They have already seen improvements in administrative efficiencies and costs as a result of having one central contact (Aegis) for dealing with all aspects of disability in the workplace.

Who is going to pay for this?

All too often companies see the provision of work-life programs such as flexible work practices and childcare resources as unrecoverable cost rather than a cost deterrent.

It **IS** costly to implement effective absence management systems. It involves evaluating the employees' needs/issues, the best methods to use, the best programs to implement, the best IT solutions; not to mention the cost of implementation. And then, if you are going to do it right; reviewing the impact on a regular basis.

Sinclair Knight Merz reportedly found that, "In dollar terms, implementing the integrated system has been cost neutral, because the fee was factored into the salary continuance premium and better claims handling means lower costs".¹⁷

The Bottom Line

People behave better when given some choice or input into managing themselves. This can be a frightening prospect for some employers but it works. See Rockford Memorial Hospital. See Sinclair Knight Merz. See AMP Financial Service. See Blake Dawson Waldron.

¹⁷ *ibid* 14

What to do NOW...

For now, consider these tips:¹⁸

- Examine your sick leave policy. Paid-leave banks let employees store up sick days for personal responsibilities.
- Train managers to be sensitive to lifestyle issues and signs of stress.
- Give employees the tools they need to deal with personal issues, such as employee assistance programs and seminars on finances, career management and family relationships.
- Look at workflows and culture to increase flexibility. Flextime, compressed work weeks, job sharing and telecommuting can be effective in helping employees balance demands and be more productive.

Where to look for...

General Information on Workplace Absenteeism

2000 CCH Unscheduled Absence Survey
www.hr.cch.com

'Balance: The myths of time in the workplace' by Mike McCoy, Magazine 'Work Lore' Section, *Australian Financial Review*, 28 Jan 2000

'Aaaargh! Consider Me Ill!' *Business Week*, Nov 8 1999 3654 pF6

'We're too scared to call in sick' by Holly Byrnes, News Section, *Sun Herald*, 5 Dec 1999.

'Classic sickies' by Bronwyn Donaghy, Employment Section, *Sydney Morning Herald*, 20 Nov 1999

'Personal and Organisational Determinants of Perceived Absence Norms', Ian R. Gellatly and Andrew A. Luchak, *Human Relations*, Vol 51 No. 8 1998

'Beyond a shadow of a doubt, workplace absenteeism is a problem', *Commerce Today Newsletter*,
www.commerce.concordia.ca

'Curing the body corporate' Victoria Steggall, *HR Monthly*, Australian Human Resources Institute, July 2000, p16 www.ahri.com.au

Integrated Benefits Institute (IBI) www.ibiweb.org

Disability Management Employers Coalition (DMEC)
www.dmec.org

Aegis - www.aegis.com.au

How to...Practical examples of Absence Management

'Attendance Management- Working Together'
www.benefits.org
Includes: Introduction to Attendance Management, Guidelines for Absenteeism Control, Attendance Management Program.

'Get control of the absentee-minded' (How Rockford Memorial Hospital curbed absenteeism by modifying time-off policies) M. Michael Markowich and Steve Eckberg, *Personnel Journal*, March 1996, v75, n3 p115(6)

'How to deal with continuing absenteeism'
Anonymous, *New Zealand Management*, Aug 2000, v47, i7, p12

'Carmakers get tough on absentees', Charles V. Tine, *The Detroit News*, July 27 1997,
www.detnews.com/1997/biz/9707/27/07270020

'Managing innocent absenteeism in the unionized workplace', Lyn Harnden, Emond-Harden 2000,
www.emond-harnden.com

'Combating Absenteeism' Anonymous,
www.employer-employee.com/absent

'How To', Haidee E. Allerton, *Training & Development*, Aug 2000 v54 i8 p18

Policy & Procedures for Sick Leave/Absenteeism, The Idaho State Department of Agriculture,
www.agri.state.id.us/personnel/sick-absenteeism

Really getting tough...

'Excessive Absenteeism – Can you terminate?' Linda Bordeleau, *Canadian Chiefs of Police Magazine*, August 1999
www.perlaw.ca/english/sevices/police/absentee

'A blueprint for progressive discipline and terminations', Paul Falcone, *HR Focus*, New York, August 2000 v77 i8 p3-5

¹⁸ 'How To' Haidee E. Allerton, *Training & Development*, August 2000 v54 i8 p18

IT Solutions

Absence Manager – www.absence-manager.com

'Three Companies Create Absence-Tracking Service',
Best's Review-Life-Health Insurance Edition, Oct
1999, v100 i6 p85

'Where Technology Meets HR' *HR Monthly*,
Australian Human Resources Institute
www.ahri.com.au

Statistics

2000 CCH Unscheduled Absence Survey
www.hr.cch.com

Absences from work of employed full time wage and
salary workers by occupation and industry, US
Department of Labor Bureau of Labor Statistics
www.stats.bls.gov

Standard Non-Wage Benefits, Australian Bureau of
Statistics (ABS) www.abs.gov.au



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