



Reducing the Cost of Employee Absenteeism

Before you “operate” on your sick-leave program, you may want to give your company a thorough “examination.”

Abuse of time off wastes billions of dollars each year in lost productivity, poor quality, damaged customer relations, and increased benefit costs. Still, absenteeism is not, in itself, the *problem*. It’s usually just a symptom of other organizational ills.

That’s why “getting tough” on disability can generate, at best, only short-term relief. For sustainable savings, an employer needs to determine the root causes. Factors driving disability are specific to each employer, and can include hiring practices, training, work environment, safety, labor relations, unmanaged expectations, and supervisory practices. Though the underlying causes vary, they all share one thing in common:

They can’t be fixed simply by changing the disability plan.

Without Reservations

One of our clients, a major hotel chain, had a particular location with extremely high absenteeism. The company suspected something environmental; after all, at another property, just a few miles away, attendance was excellent. Could a physical or chemical substance be causing employees to get sick? Or was something else going on?

First, the company’s environmental consultant examined the physical location, and found nothing unusual. Then, Strategic Planning Associates was brought in to explore the work environment and other HR issues.

After a few days of management interviews and employee focus groups, it became clear what was really wrong.

“How would you feel about switching managers?” we asked.

“What are you talking about?” the client replied. “Our problem is absenteeism, not management. We hired you to redesign our disability program.”

But modifying benefits wouldn’t solve the problem. So, we suggested that the company swap managers with the other location nearby. And, when they did, our surprising diagnosis proved to be right.

Within weeks, the “good” hotel began experiencing huge increases in sick time and disability costs. But, at the other property, attendance improved, absenteeism declined dramatically, and the facility became healthier than ever – a “medical miracle.”

Clearly, the problem wasn’t hotel attendance policies or disability benefits. The issue was a bad manager, and, organizationally, some holes in how performance was measured and rewarded.

Covering the Waterfront

As the hotel learned, absenteeism is often entirely unrelated to, and unaffected by, attendance policies or sick-leave programs. In fact, its real breeding ground may be somewhere entirely different, as shown in the following client examples:

- 🌐 At a large city government, police and fire disability rates were 300% of benchmarked norms. The problem was a poorly designed *pension* plan, with unusually steep penalties for early retirement. Officers and firefighters found a creative way “out”: they could “retire” early with a work-related (and tax-free) disability. As the Police Chief noted, “Any officer working toward a City pension would be eligible, in my opinion, for psychological disability benefits.”
- 🌐 At a diversified manufacturing company, management went to great length to communicate production quotas, measure work output, and reward for productivity. But there was no corresponding emphasis on safety. Whenever production started to lag, and workers got pushed to do “whatever it takes” to increase productivity, guess what was the first thing to slip. *Safety*. As with so many other things, what doesn’t get measured often just doesn’t get done.
- 🌐 At a heavily unionized company, supervisors didn’t feel they had the authority to discipline poor performers. So, they used the disability plan to “weed out” problem employees, which seemed to please everyone involved, especially union leadership. By collecting dues from both the worker out sick *and* his replacement, the union got paid twice for a single job slot.

Potential for Substantial – and Sustainable – Savings

The only way to reduce direct and indirect sick-leave costs is to attack the systemic, behavioral, and cultural elements that correlate to absenteeism. But, since the specific factors are unique to each employer, there’s no single solution that works in all cases. To get things right requires extensive investigation, creativity, and a commitment to changing the “culture of entitlement.”

Most employers lack the resources, or patience, to get beyond the symptoms – and address the real causes of problems. But those that make the effort can reap great rewards.

For one client, we were able to reduce incidence of injury by over 30% – and severity, as measured by lost work days, by over 40%. For another, improved attendance produced over \$5 million in savings. These results are not unusual. Employers who actively manage processes affecting the work environment, and abuse of sick time, can achieve payroll savings of 4% to 6% – and indirect savings of more than twice that amount.