

# The Cost of Absenteeism and What to Do To Minimise It

## QPS Benchmarking

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Absenteeism is an area of business that has been neglected for far too long. While most organisations profess that their employees are their most valuable resource, very few can tell you the impact of absenteeism or what they should be doing to minimise it.

While many managers may not be aware of the cost of absenteeism to their employer, according to research, the total cost of absenteeism to Australian industry is billions of dollars each year. The implementation of strategies for addressing absenteeism can lead to a dramatic reduction in these costs to individual organisations.

As part of the QPS Benchmarking service provided to aged care, absenteeism is an important indicator benchmarked within the industry. The following summary provides an insight into costs of absenteeism and suggests intervention strategies for effective management.

The graphs (right) show absenteeism rates as reported for Hostels (Fig 1) and Nursing Homes (Fig 2) for Quarter 1 July – September 2004.

So how much does this actually cost? Using an average salary of \$35,000 per full time equivalent employee, the following table (table 1, on page 39) can be used by individual facilities to determine the approximate cost of absenteeism, as well as potential savings, should rates be reduced. (Actual savings in individual facilities will vary from the figures in the table depending on the profile of the workforce; however the principles of determining potential improvements and cost savings remain the same.)

How does the table work? Take, for example, a nursing home with an absenteeism rate of 14% with 40 FTE staff. The cost of absenteeism based on an average salary of \$35,000 is \$196,000 per annum. By reducing this to the average level of absenteeism (approximately 6% with a cost of \$84,000) a potential saving of \$112,000 is gained.

In the case of a Hostel with a 10% absenteeism rate and 30 FTE staff the costs are reduced from \$105,000 per annum to \$52,500 (the cost of the average absenteeism rate of approximately 5%) representing a cost saving of \$52,500.

Of course the above model is simplified and does not take into account for example replacement costs when staff are sick, the cost of increased errors when casual staff (who may be unfamiliar with facilities and residents) are used or worker's compensation premiums for claims. However it does demonstrate that looking more closely at causes of absenteeism such as sick leave and work injuries can lead to substantial savings.

**The implementation of strategies for addressing absenteeism can lead to a dramatic reduction in these costs to individual organisations.**

FIGURE 1: HOSTELS

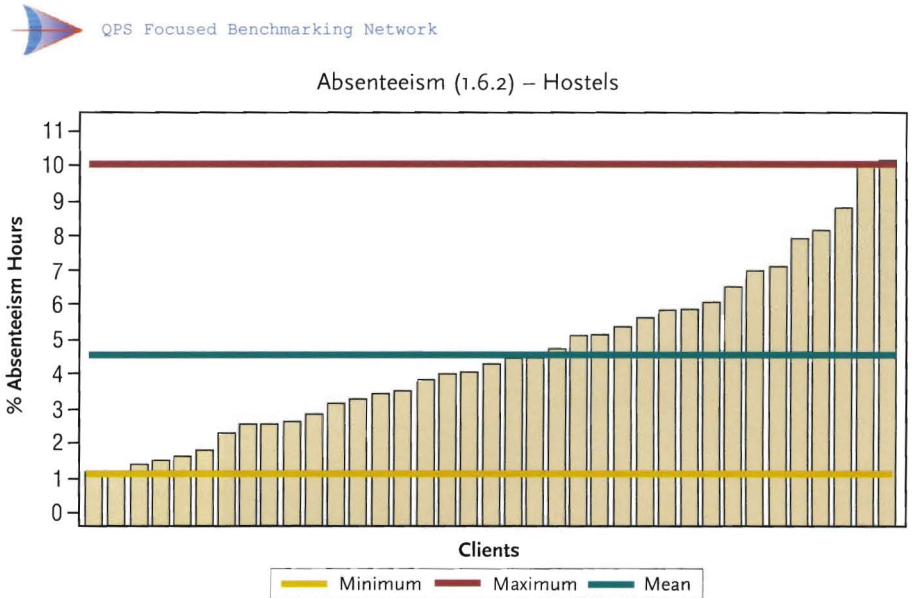
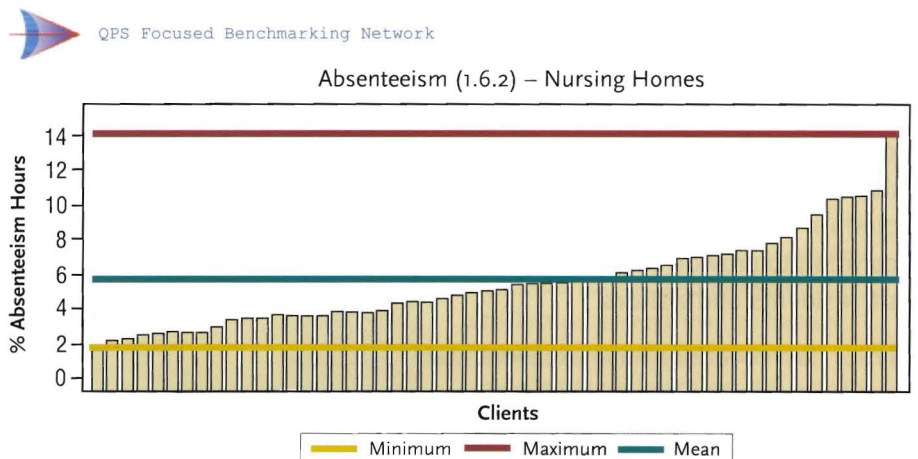


FIGURE 2: NURSING HOMES





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## WHAT CAN YOU DO TO REDUCE ABSENTEEISM RATES?

There are number of things you can do to assist with an analysis of absenteeism. Some examples are:

- ▶ Use payroll data rather than rosters for collecting sick leave hours. Remember, casual staff are not entitled to sick leave and therefore no cost is incurred for casual staff not presenting for work. Using payroll data will eliminate the risk of double counting.
- ▶ Determine the components of your absenteeism rate. It may be predominately sick leave but you may find that worker's compensation or forms of unpaid leave may also be contributing to high absenteeism rates.
- ▶ See whether a particular group or classification of staff is 'over contributing' to absenteeism. It may be for example that administrative staff make up 10% of your staffing profile but contribute 40% of the absenteeism rate.
- ▶ Look at reasons for absenteeism. Are sick days or leave without pay taken to look after sick family members or attend medical appointments? If so a review of work practices may help.
- ▶ If your facility is one within a group, review the absenteeism data in all facilities and identify strategies to assist

in improving performance. (QPS data will also assist in identifying good performers across the client group)

- ▶ Collect financial data that is as accurate as possible to determine the level of investment you can make in strategies to reduce absenteeism. For example if you can reduce absenteeism by 5% and save \$100,000 per annum it will be worth investing at least a part of this amount in strategies to achieve the saving.

Once you have analysed the data there are a number of strategies you can consider to assist in reducing absenteeism. Consider the following examples:

- ▶ Review your absenteeism policy (make sure you have one!). The policy should cover a number of items and be distributed and acknowledged by all staff. It can cover such things as;
  - ▶ When should staff inform you they will not be in attendance?
  - ▶ When should a medical certificate be supplied and
  - ▶ What does the facility consider to be an unacceptable level of absenteeism?
- ▶ Educate line managers in the effective management of absenteeism. This applies particularly when you identify single day absences or pattern absences (every Friday or after a public holiday long weekend) as a concern.

Look at reasons for absenteeism. Are sick days or leave without pay taken to look after sick family members or attend medical appointments?



- ▶ Promote a culture of attendance by acknowledging individuals or work groups with attendance rates above the average. Something as simple as a certificate or morning tea provided by management are good ideas.
- ▶ Review performance management systems to monitor motivation and determine what factors keep staff coming to work every day.
- ▶ Consider family friendly policies and/or flexible work practices (but be careful you don't substitute one form of absence for another, remember you want attendance to improve).
- ▶ If you have position or job descriptions make sure they are reviewed periodically to remove boring and repetitive tasks if possible.
- ▶ Involve all staff in monitoring absenteeism by reporting figures monthly and converting absence rates to costs. Money to cover absenteeism means less on equipment and facilities that assist staff and residents.

Last, but not least, look at your other QPS indicators for assistance. Higher than normal turnover rates, workplace accidents/injuries and low staff satisfaction surveys may go hand in hand with high absenteeism and analysing these indicators will help in identifying appropriate strategies for improvement. 🐾

TABLE 1: ABSENTEEISM COSTS

FTE	2	4	5	6	8	10	12	14
50	35000	70000	87500	105000	140000	175000	210000	245000
45	31500	63000	78750	94500	126000	157500	189000	220500
40	28000	56000	70000	84000	112000	140000	168000	196000
35	24500	49000	61250	73500	98000	122500	147000	171500
30	21000	42000	52500	63000	84000	105000	126000	147000
25	17500	35000	43750	52500	70000	87500	105000	122500
20	14000	28000	35000	42000	56000	70000	84000	98000
15	10500	21000	26250	31500	42000	52500	63000	73500
10	7000	14000	17500	21000	28000	35000	42000	49000
5	3500	7000	8750	10500	14000	17500	21000	24500

Percentage Absenteeism