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News & Information

Fighting the rise in absenteeism through employee assistance programs

01/03/2003

By Dan O'Sullivan

What's absenteeism costing your company?

A recent survey reported the costs of unscheduled employee absenteeism have reached an all-time high. According to CCH Incorporated, a provider of human resources and employment law information, the average per-employee cost of absenteeism has reached \$789 a year.

CCH workplace analyst Lori Rosen notes many employers mistakenly think they are powerless to stop this trend.

Employers, Rosen said, "don't understand that there are ways to work with employees to make those days when they're too sick to come in are as few as possible—and to make sure that their personal issues don't become unscheduled absences."

More and more companies are combating absenteeism through work-life programs such as alternative work arrangements, wellness programs and compressed workweeks. The most popular work-life programs—used by 68 percent of survey respondents—were employee assistance plans (EAPs).

Indeed, EAPs have shown great promise in helping to cut down on employee no-shows.

Absenteeism on the rise

The CCH survey compiled responses from 333 human resource executives in companies and organizations throughout the United States. Key findings included:

- The absenteeism rate declined slightly to 2.1 percent from 2.2 percent in 2001.
- The \$789-per-employee cost of absenteeism represented an increase of 5 percent since 2001 and 29 percent since 2000. (This increase reflects the impact of an aging—and thus more highly paid—workforce.)
- To pay for unscheduled absenteeism, employers set aside an average of 5.1 percent of their budget—up from 4.2 percent in 2001.
- Personal illness was the most common reason for unscheduled absences (33 percent). The most common reasons unrelated to personal illness were family issues (24 percent) and personal needs (21 percent—up from 11 percent in 2001).
- Companies reporting very good or good morale had an absenteeism rate of 1.9 percent—compared to 2.4 percent for companies with fair or poor morale.

It's important to note the \$789-per-employee figure only accounts for *direct* payroll costs for absent employees. The *total* cost of absenteeism rises further when you take into account the residual effects.

"It's the other costs that aren't included in that figure—the reduction in productivity because the person's work doesn't get done, paying other employees for overtime, or hiring a temp to cover for that person—that can really be damaging," said Rosen.

Spotlight on depression

Other studies have found that a major culprit in absenteeism and reduced productivity is depression.

For example, researchers at Yale studied more than 6,200 employees at three corporations. The report, published in the May 2001 *American Journal of Psychiatry*, contrasted depressed workers with non-depressed workers. Depressed workers were:

- twice as likely to miss work due to health problems and
- seven times more likely to have decreased job performance.

The researchers concluded that "depressive disorders in the workplace persist over time and have a major effect on work performance, most notably on 'presenteeism,' or reduced effectiveness in the workplace."

In 1998 the National Institute of Mental Health estimated depressive disorders affect 18.8 million adult Americans a year—nearly 10 percent of the adult population. Meanwhile, a 2001 *Wall Street Journal* piece pegged the annual toll of workplace depression at \$70 billion in the form of medical expenses, absenteeism, lost productivity and other costs.

Unfortunately, given the stigma attached to mental illness, many people are reluctant to seek treatment for depression. As a result, workplace depression may be woefully underdiagnosed.

Work-life programs as a solution

According to the Employees Assistance Professionals Association, depression is the third-most common reason for seeking help from EAPs. Only family crisis and stress rank higher.

Rosen speculates people suffering from depression or stress might see EAPs as a confidential, stigma-free solution for addressing their condition.

"Someone might not be willing to immediately go for psychiatric help, but they'll look at an EAP for intervention," she said. "EAPs are a great resource and referral-type tool for people to directly get to the problems they're dealing with."

CCH found the popularity of work-life programs, such as EAPs, is growing. Companies now use an average of 7.3 work-life

programs, up from 3.4 in 2000. Rosen predicts the upward trend will continue.

"As much as people are seeing it works, that it's not as expensive as they think it is, [a work-life program] is a great hiring and retention tool that employers will have to look at," said Rosen.

Facing the challenges at NCR

One company sold on the merits of employee assistance plans is NCR. A technology company based in Dayton, Ohio, NCR employs about 30,500 people worldwide.

Director of benefits Michael Kriner said NCR estimates its per-employee cost of absenteeism at \$900-\$1,000 a year, which includes such factors as sick pay, short- and long-term disability and workers compensation. Kriner added that while absenteeism isn't a "glaring problem," it has been an ongoing concern.

"We have people around the world," he said. "One-third of that workforce is virtual, so it's a little bit harder [to measure absenteeism] because the traditional workday is different. We're probably looking at productivity in terms of output rather than face time."

Though it's difficult for NCR to pinpoint all the causes for absenteeism, manager of life-management programs Mindy Tatham suspects depression plays a damaging role.

"We don't know for sure," said Tatham. "But from the model we have here, depression has a big impact not only on absenteeism but also on presenteeism—you're here, but you're just not as productive as you would be otherwise."

Cause for optimism?

To combat depression—and absenteeism as a whole—NCR has worked to integrate its EAP with its disease-management and health-and-wellness programs. The goal is to gain a holistic view of the problems employees face as they pass through different life cycles.

"So if you have cancer or heart problems, you might be in the system as having a medical problem, but we realize you might be suffering from depression," said Kriner. "That way, we can get you the right treatment. That's integrating the 'touch points.'"

Though NCR has seen how EAPs can help employers deal with issues contributing to absenteeism and reduced productivity, many companies seem to be pessimistic about the future. The CCH survey found 83 percent of companies believe unscheduled absenteeism is likely to stay the same or get worse in the next two years.

Rosen takes a more hopeful view. After all, she said, employee assistance plans and other work-life programs can help companies make changes for the better.

"Unscheduled absenteeism will get worse if employers don't take heed and don't understand that they can actually do something about it," said Rosen. "But so many people are learning about these different tools and are seeing how a lot of these work-life programs do help."

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