



Managing Workplace Absences

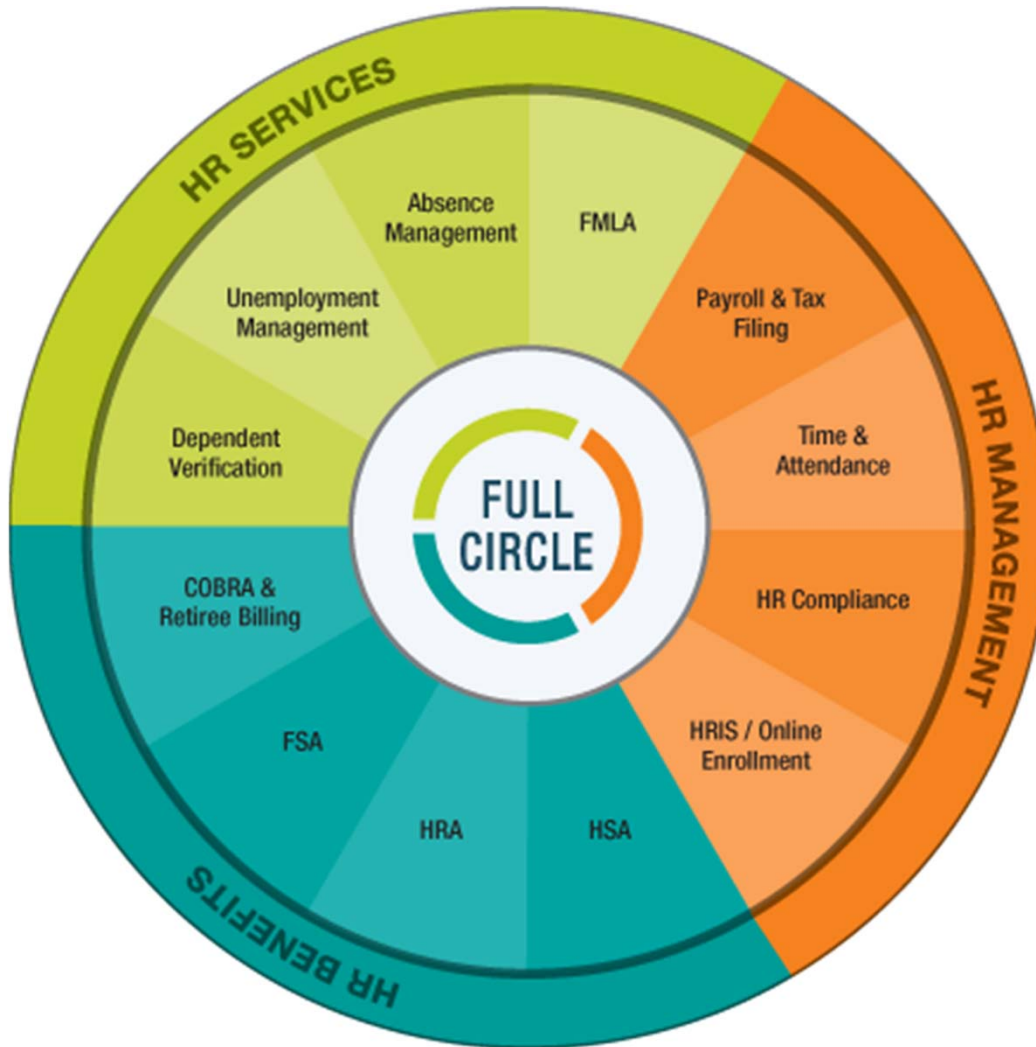
Presented by: Joe Aitchison, SPHR



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HR Solutions Come Full Circle



Joe Aitchison, SPHR, BASIC Vice President.

Joe provides Business & HR client advisory services and HR out-source services nationally. He is a Human Resource professional with over twenty five years business management and HR consulting experience. He has worked with multi plant International Tier I Automotive Manufacturing, retail, food processing, health care, legal administration and professional services.

Mr. Aitchison is recognized as a leader in human resources and has obtained a lifetime certification as a senior professional in human resource management and has helped develop and oversees BASIC's FMLA outsource services.



Managing Workplace Absences



Absenteeism is an employee's intentional or habitual absence from work. It can and does create problems for many employers. Employers do expect workers to occasionally miss each year; however, when it becomes habitual and the frequency of occurrences increase, absenteeism equates to decreased productivity affecting the company's finances, morale and other factors. This program provides some insightful information and best practices to help employers identify absence reasons and best practices to reduce occurrences affecting the bottom line.

Agenda



- Causes of Absenteeism
- Understand the Total Cost of Absenteeism (Direct and Indirect)
- How to Calculate Absenteeism Rates
- Absence and the Law; Risk Awareness in the Design and Implementation of Absence Control Strategies
- Best Practice Strategies for Managing Absenteeism

The Executive View – The Facts:



2013 Statistics – All Employers

Senior management is concerned about the indirect cost of absence.

- The direct cost for incidental absence and disability benefits is equivalent to 4.9% of payroll.
- Unplanned absences also result in indirect costs for replacement labor and lost productivity. Estimated at **4% of Payroll** – roughly equivalent to the direct costs of incidental absence and disability programs.
 - The cost of replacement labor and lost productivity is estimated at 4% of Payroll – roughly equivalent to the direct costs of incidental absence and disability programs.

For the average employer combined cost of absenteeism is 8.9% of payroll

The Executive View – The Facts:



- The top priorities in absence management are:
 - reducing the impact of absence on operations and;
 - improving Family Medical Leave Administration.
- Outsourcing of FMLA administration has increased significantly over the past three years, from 25 percent in 2010 to 38 percent in 2013.
- About a third large midsize employers have formal nonoccupational return-to-work programs.
- More than half of employers with employee assistance programs routinely refer employees to the EAP when they go out on a leave of absence, most commonly for psychiatric leaves (48 percent), but also for medical disabilities (31 percent) and for FMLA.
- 90 % of employers manage and track the ADAAA interactive accommodation process in-house, this may change as requests for ADAAA leave show signs of following the same trend as requests for FMLA. **Nearly a third of larger midsize employers and 72 % of those in the wholesale/retail industry — are experiencing an increase in ADAAA requests.**



The Executive View – The Facts:



Scheduled PTO & Vacation Program costs:

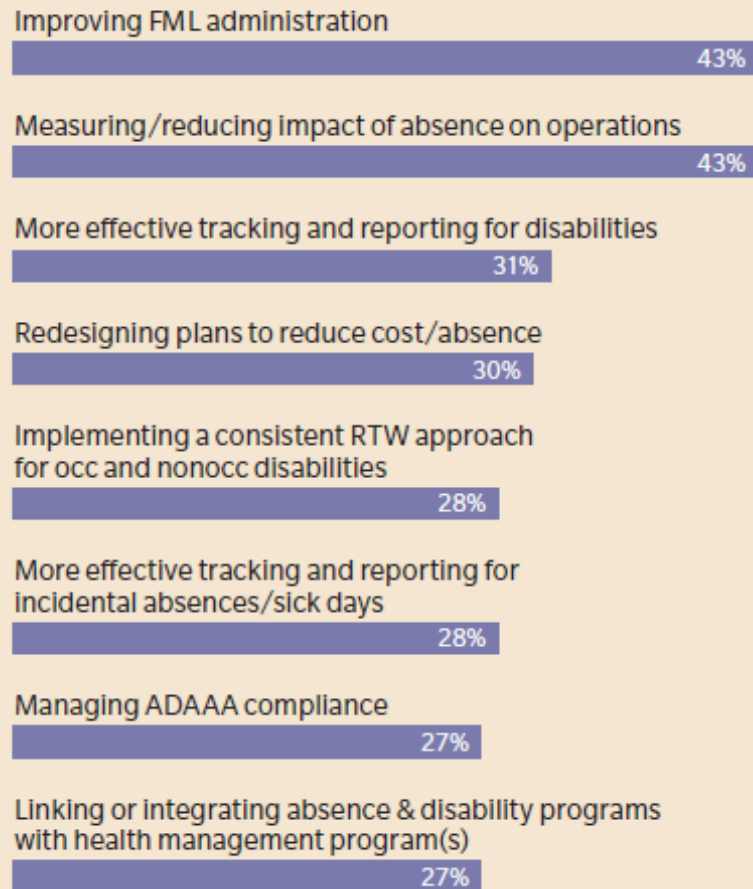
- Vacation-only plans averaged 6.2% of Payroll
- Employers with PTO banks reported an average cost of 7.5% Payroll.

While healthcare plans receive more attention costs associated with scheduled and unscheduled time off can equal or surpass the total medical spend an employer faces.

Management Priorities



Top priorities for absence management programs



- Quantifying the direct & indirect costs of absence- indirect costs include :
- Hiring temporary workers
 - Overtime for current workforce
 - Quality & performance standards not met
 - Paying overtime,
 - Costs of business disruption – replacement scheduling / lost time / customer dissatisfaction - delayed customer response or customer delivery
 - Revenue loss

Absenteeism



When an employee is scheduled to work fails to report on duty it is called absenteeism.

- It is defined as unscheduled / unauthorized absence from work.
 - Means absence of regular work without prior permission, notice or sanction
 - Average number taken by US Workers = 8.5

Absenteeism (Causes)



- Nature of work
- Poor working conditions
- Attitude or motivational problem
- Work environment
- Poor health
- Accidents
- Lack of job satisfaction
- Poor working conditions
- Lack of clear standards & policies
- Outside interests
- Transportation problems
- Stress
- Ergonomic issues
- Underlying medical condition
- Management style
- Poor management controls
- Problems with supervisor
- Problems with co-workers
- Family, personal or domestic problems
- Response to refusal for time off for social, domestic or family crisis
- Absence of regular leave arrangements

Absenteeism



National Drug & Alcohol Use Statistics

- 1 in 3 men & 1 in 5 women drink over the recommended limit.
- Nearly one-third of workers under the age of 30 have taken drugs in the past 12 months.
- One-third of workers have admitted to going to work with a hangover, and 15% admitted to being drunk at work at least once.
- Almost 7 million Americans abuse prescription drugs.

DOL reports:

- Drug use in the workplace costs employers 75-100 billion dollars annually in lost time, accidents, health care and worker compensation expenses.
- 65% of all accidents on the job are directly related to alcohol or drug use.
- Substance abusers are absent from work 3 times more often than their co-workers and use 16 times as many health care benefits.

Absenteeism



*3 things are needed for people to be happy in their work
They must be fit for it,
Not do too much of it; and
Must have a sense of success in it*

Impact of unhealthy workplace



Trends in Absenteeism



- Higher pay = less absenteeism
- Longer service = less absenteeism
- Men less absent than women
- Singles more absent than married employees

Absence Management Strategies



Top Objectives

1. **Redesigning plans to reduce cost/absence and more effective tracking and reporting** for unscheduled and scheduled (uncontrollable) time away form work (continuous FMLA Leave/STD & LTD/ State Family Leave Programs/Union Leave allotments .
 - Employers are wanting to become more vigilant in tracking absence
 - For compliance reasons,
 - Become more aware of the direct and indirect costs of absence and impact on business operations,
 - Desire to capture baseline data to understand reasons for absences:
 - Better metrics s on employee lost workdays and intermittent FML absences ... **If employers can understand problem areas, they can build the business case for interventions and create solutions.**

***General Note:** Impact is greater in some industries including 24/7 business operations, heavily unionized organizations, transportation, communications, utility industries, and low wage earning retail industries.*



Absence Management Strategies



Top Objectives:

2. **Measuring/reducing the impact of absence** on business operations and improving FMLA administration
 - Establish a uniformed absence call-off system
 - Uniformly track all absenteeism call offs
 - Data collection by:
 - Department
 - Reason
 - Other demographic information
 - Federal law changes in 2008 for FMLA and in 2009 for ADA made tracking and managing leaves more complex.
 - Increased the visibility of the need for compliance.
 - Employers must now comply with more than 300 leave laws for federal, state and local government.
 - Employers understand they are not in compliance in the management of FMLA internally and have or are looking to outsource to third party administrators.

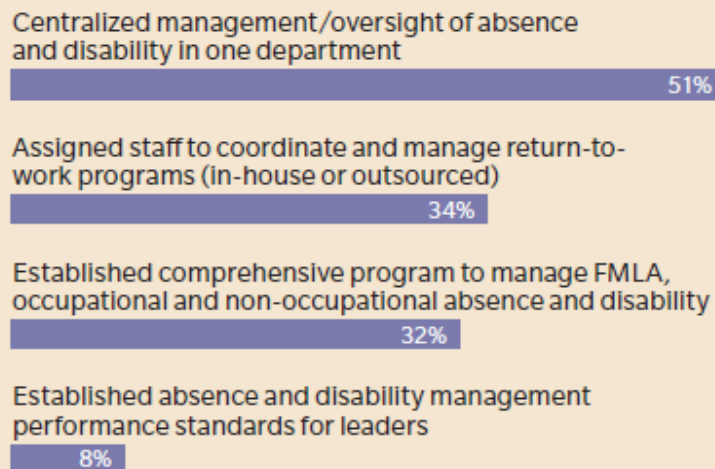
Absence Administration



Objective: Reporting and tracking are critical first steps for managing absences, and employers are increasingly moving to more centralized and consolidated systems.

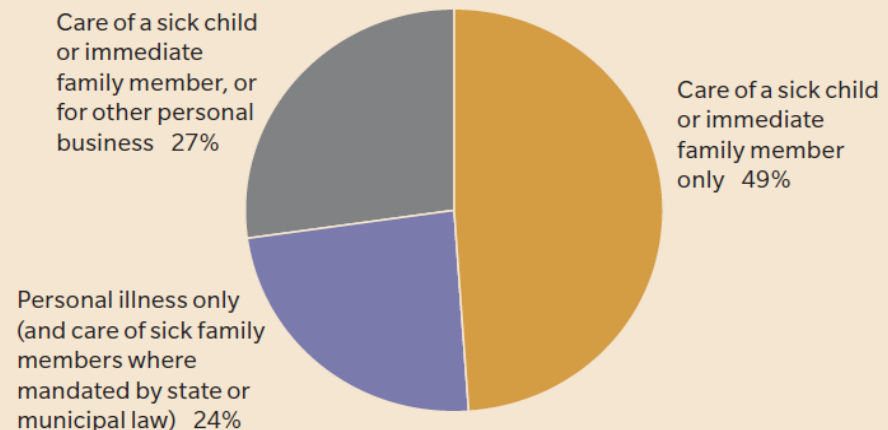
- Multi-category reporting and tracking is more efficient and consistent.
- Helps employers to better capture data and statistic.

Steps taken to better manage absences and disability leaves



Using incidental absence/sick days to care for sick family members or for other personal business

What days may be used for



Absence Administration



Management Absence Program Priorities

The Statistics

Percentage of respondents indicating that their top three absence program priorities for 2013–2014 include:

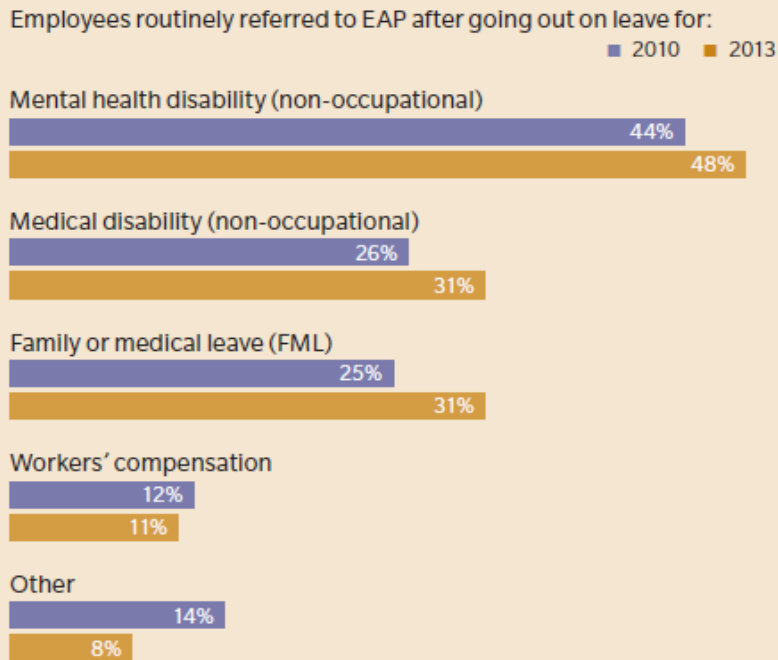
	Improving tracking/reporting for sick days	Improving tracking/reporting for disabilities	Reducing impact of absence on operations	Consistent RTW for occ. and nonocc. disabilities	Redesigning plan to reduce cost or absence	Improving FML administration	Managing ADAAA compliance	Linking disability programs with health management
All respondents	28%	31%	43%	28%	30%	43%	27%	27%
BY REGION								
West	29%	27%	31%	24%	27%	51%	29%	29%
Midwest	21	28	47	33	32	43	29	22
Northeast	27	29	47	26	36	32	27	29
South	35	41	41	26	24	50	24	31
BY INDUSTRY								
Manufacturing	28%	38%	43%	33%	33%	38%	18%	28%
Wholesale/Retail trade	21	33	33	29	13	58	58	21
Services	27	38	38	15	24	56	29	32
Transport/Communic/Utility	29	24	48	33	48	48	14	10
Health care	37	27	57	37	33	53	27	23
Financial services	26	20	42	24	32	30	34	32
BY NUMBER OF EMPLOYEES								
100–999	38%	22%	46%	23%	26%	43%	18%	18%
1,000–4,999	26	38	39	30	34	47	27	28
5,000–9,999	28	35	48	30	38	45	33	35
10,000 or more	15	34	42	34	28	42	35	30
100–4,999	31%	31%	42%	27%	31%	46%	23%	24%
5,000 or more	20	34	44	32	32	43	34	32

Return to Work

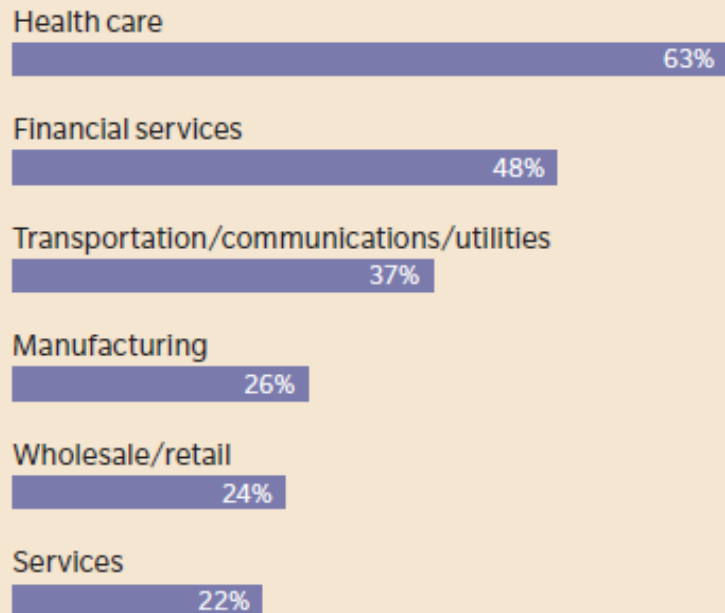


Increase in EAP services to actively assist employees suffering from work related and non-work related injuries return to work.

More employers* using EAPs to assist in absence management in 2013



Have formal, documented return-to-work program for non-occupational disabilities



Part-Time Employees, the ACA & Absences

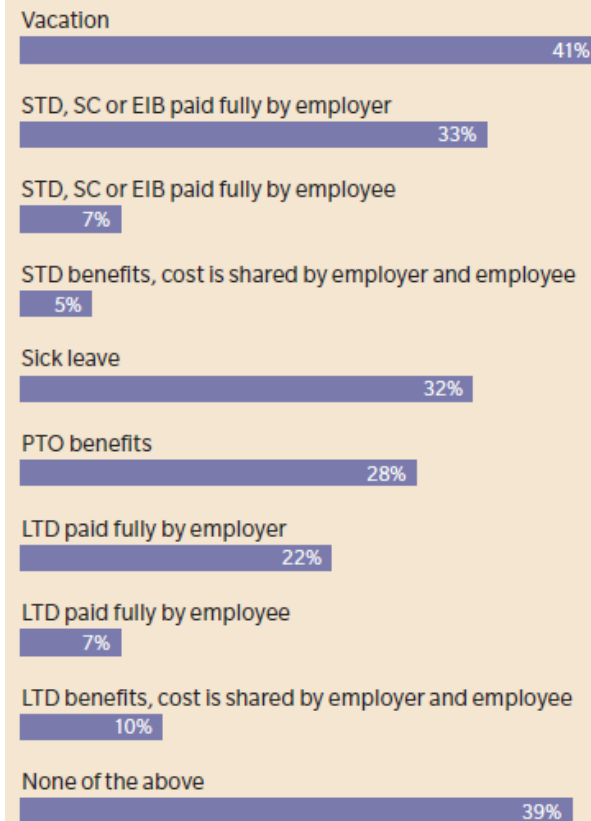


ACA will effect how employers view Part-Time Employees (those working less than 30 hours weekly).

- Employers will increase the use of part-time employees as a way of managing the impact of the ACA:
 - managing absences among this growing part of the workforce will become increasing more important.
 - time-off benefits will be used as an attraction and retention tool, will increase cost.

Note: Benefit offerings vary depending on geographic regions

Offer paid time-off benefits to employees working fewer than 30 hours per week



Vacation or PTO



Employers continue to replace vacation-only benefits with Paid Time Off (PTO) plans to provide more flexibility for employees for time off and to control unscheduled incidental absences. Combining vacation, sick and personal time into a single PTO allowance.

- Paid vacation is an essential part of the formula for employees to achieve a work-life balance.
- Vacation consistently ranks among the most highly valued benefits, especially for younger employees.

Studies show:

- US employees receive fewer paid vacation days than employees in most other advanced economies.
- On average US employees don't take all the vacation to which they are entitled.

Vacation or PTO



Part-Time Employees

- Employers are offering prorated Vacation / PTO accruals for part-time employees working a set schedule of hours.

Full & Part-Time Employees

- Average waiting period for part-time employees for vacation / PTO allowance is 4 months.
- Number of days varies base on years of service.
- Most often waiting period is 4 months on average.

Average number of allotted vacation days per year in vacation-only plans

Years of service	Salaried plans	Hourly plans
After 1 year	12 days	11 days
After 2 years	12	11
After 3 years	13	12
After 4 years	13	12
After 5 years	15	15
After 8 years	16	15
After 10 years	18	18
After 15 years	19	19
After 20 years	21	21
After 25 years	22	21

Average number of days allotted per year in PTO plans

Years of service	Salaried plans	Hourly plans
After 1 year	17 days	16 days
After 2 years	18	17
After 3 years	19	18
After 4 years	19	18
After 5 years	22	21
After 8 years	22	22
After 10 years	25	24
After 15 years	26	25
After 20 years	27	26
After 25 years	27	27

PTO Allowance

Includes:

- Vacation Allowance
- Incidental Sick Days
- Personal Days
- Floating Holiday
- Fixed Holidays (25% of the time)

FMLA Administration



An employee eligible for FMLA leave can take the equivalent of up to 12 weeks of unpaid leave during a 12-month period (26 weeks for military caregiver leave).

- FMLA Leave is a federally guaranteed benefits.
- Several state have expanded the federal requirements, enriching the benefits provided in those states.
- FMLA Leave is a well-utilized benefit. According to Department of Labor statistics, approximately 16 percent of eligible employees used FMLA in 2011.
- ADAAA Accommodations & ADAAA/FMLA Leave Increasing.

Call Centers and Similar Service Providers/ Department (claim intake, credit card services, travel reservations). Absences result in an immediate loss of productivity and serious consequences for business - work cannot wait until the employee returns. This leads to tight attendance and tardy policies to keep the call queue under control which can contribute to FML abuse.

Call centers

- Report a higher frequency of absences / leaves:
 - Higher frequency of intermittent leaves
 - Longer duration of leave
- Reasons:
 - Prolonged sitting, speaking, typing and people interaction creates a potential for physical and mental stress

Employer Absence Management Programs



Top Priority

- Improving the process for FMLA administration
 - Administrative and compliance challenges include:
 - training managers and HR staff on how to better manage employee absences and leaves
 - managing and tracking intermittent leaves and ADAAA accommodations,
 - evaluating clinical reasons for leaves
 - questioning medical certifications and second or third opinions

Outsourcing Solution

- The number of employers choosing to outsource Absence Tracking & FMLA administration increased to 38 percent in 2013, up from 25 percent in 2010 and 14 percent in 2007.
- The larger employers have moved the fastest; employers with 5,000 or more employees - 57 percent now outsource FMLA administration.
- Added benefit to outsourcing - employer leave management culture changes from an in-house FMLA “tracking” culture to a FMLA “management” culture by actively applying key policy provisions including eligibility and re-certifications.
- The majority of FML leaves are for the employee’s own health condition, which would have a concurrent short term disability absence.

FMLA Administration



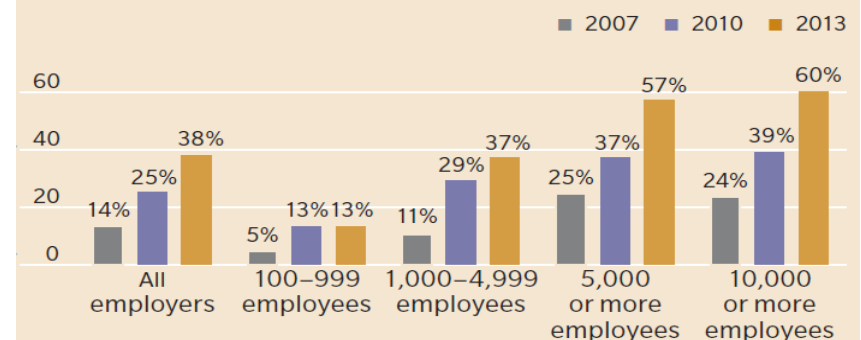
Looking into 2014

- Over the next few years will see a greater focus on FMLA and ADAAA process, policy design and claim activity.
- Biggest challenges for employers will continue to be compliance and improvement of the day-to-day processing of FMLA leaves and the ADAAA interactive process.
- Outcome - more employers will centralize administration of these functions and consider outsourcing solutions.

Administrative or compliance difficulties with FML

Training staff on how to better manage employee absences and leave	54%
Managing/tracking intermittent leave	45
Managing/tracking ADAAA leave accommodations	28
Evaluating clinical reasons for leaves	23
Obtaining expert and specialized legal advice	11
Other	3
None	27

Outsourcing of FMLA has increased significantly over the past three years



FMLA Administration



The Statistics

1 Percentage of respondents that track and manage FMLA/LOA:

2 Percentage of respondents reporting the number of requests for FMLA/LOA leaves is:

	In one centralized department—insourced	In one centralized department—outsourced	FMLA is tracked centrally, but managed in a decentralized way	Responsibility for tracking and managing FMLA/LOA absence is decentralized	Increasing	Decreasing
All respondents	55%	29%	6%	10%	36%	2%
BY REGION						
West	58%	20%	9%	13%	36%	2%
Midwest	53	29	4	13	40	2
Northeast	57	32	3	9	28	1
South	53	32	8	7	39	2
BY INDUSTRY						
Manufacturing	42%	30%	10%	19%	34%	1%
Wholesale/Retail trade	52	40	—	8	44	8
Services	68	19	6	7	36	—
Transport/Communic/Utility	53	32	11	5	26	11
Health care	59	35	—	6	52	—
Financial services	52	37	2	10	27	—
BY NUMBER OF EMPLOYEES						
100–999	84%	10%	1%	4%	30%	—
1,000–4,999	49	31	6	15	40	2
5,000–9,999	42	40	12	7	33	2
10,000 or more	40	42	5	12	38	4
100–4,999	63%	22%	4%	11%	36%	1%
5,000 or more	41	41	8	10	36	4

Trends in Absenteeism



- Union employees more absent
- Growth in organization increases absenteeism
- Absence Frequency
 - Monday > 40%
 - Tuesday \pm 20%
 - Friday \pm 12%

Cost of Absenteeism



Decreased Productivity

- Extra workload
- Support, train & orientation of replacement staff
- Increased supervision

Administrative Costs

- Securing replacements
- Re-assign remaining staff
- Controlling absenteeism

Financial Costs (contd.)

“The cost of absenteeism is not only limited to the employee’s salary for the day he is not working - it is actually three times that day’s salary taking into account hidden costs such as a temporary replacement for the absent employee”

Business Times

Cost of Absenteeism



CALCULATING ABSENTEEISM

Absenteeism Rate

When calculating absenteeism, organizations often differentiate between *excused* and *unexcused* absences and collect data only on the *unexcused* since these absences are most disruptive to the workplace and have the most impact on productivity.

Long term leaves of absence, as defined as 5 or more days in duration, are usually excluded.

Monthly Absenteeism Rate

1. Total number of days lost through job absence in the month: _____
2. Number of employees on 1st of the month: _____
3. Number of employees on the last day of the month: _____
4. Average headcount for the month (Line 2 + Line 3 divided by 2): _____
5. Number of available workdays in the month: _____
6. Average number of workdays for the month (Line 4 x Line 5): _____
7. Monthly absenteeism rate (Line 1 divided by Line 6 x 100): _____

Example:

1. Total number of days lost through job absence in the month: 23
2. Number of employees on 1st of the month: 62
3. Number of employees on the last day of the month: 60
4. Average headcount for the month: $62 + 60 / 2 = 61$
5. Number of available workdays in the month: 21
6. Total average number of workdays for the month: $61 \times 21 = 1,281$
7. Monthly absenteeism rate: $23 / 1,281 \times 100 = 1.8\%$

Dealing With Absenteeism



A broad-ranging strategy involving:

- Correct identification of the problem
- Applying the right process to each situation
- Problem-solving & elements of performance management
- Combines corrective measures with availability of assistance to remedy underlying causes



Dealing With Absenteeism



Implementation & Prevention

- Consultation
- Audit current situation
- Design strategy
- Develop record-keeping / monitoring system
- Feedback to employees
- Train managers & employees
- Develop information sharing strategy
- Implement
- Regular review

Dealing With Absenteeism



Critical Success Factors

- Top management commitment
- Early detection & intervention by line managers
- Good communication & problem-solving skills
- Reliable data
- Creating a healthy working environment
- With long-term absences: ensuring early return

Critical Success Factors

- Clear absence procedures
- Rigorous monitoring
- Using 'trigger points' for action
- Defined roles & accountabilities
- Effective processes
- Options for incentives
- Preventative measures

Dealing With Absenteeism



Step 1: Collect accurate data

- Rate & forms of absenteeism
- Reason(s) for Call off - types of illnesses & frequency
- Ergonomics assessment
- Direct & indirect costs - manager's role
- Factors affecting job satisfaction
- Identify & eliminate 'stressors'

Dealing With Absenteeism



Step 2: Institute a monitoring system

- Supervisor discussion with employees upon return to work
 - Who completed work assignment – during absences
 - Discuss work issues & concerns upon return
- Supervisor to conduct Sympathetic Absence Management Interviews with employees

Step 3: Develop clear and appropriate policies & procedures

- Absenteeism & leave policy
- Distinguish AWOL, genuine illness, disability & 'voluntary' absenteeism
- Attendance improvement procedure

Dealing With Absenteeism



Step 4: Awareness

- Publicize company policy & procedures
- Inform employees of leave rights & responsibilities

Step 5: Review absent call off department reports and Absenteeism Logs

- Upper management to review absenteeism
 - Establish target rate
 - Monitor Departments - manager/supervisor to absenteeism goal

Absenteeism Improvement Strategy



Management Responsibility

- Audit current situation
- Design strategy
- Develop record-keeping / monitoring system
- Feedback to employees
- Establish training program for managers, supervisors & employees
- Develop information sharing strategy
- Implement
- Regular review

Absenteeism Improvement Strategy



Critical success factors

- Absence **always** taken as genuine
- Early detection & intervention by line managers
- Manager / Supervisor - good communication & problem-solving skills
- Reliable data
- Creating a healthy working environment
- With excessive absences – disciplinary action (including termination)
- Zero tolerance for abusers

Absenteeism Improvement Strategy



Employees should Know

- Number to report unscheduled absence/tardy/leave early
- Who maintains absence records - records, keeps statistics?
- When does disciplinary start?
- Have a clear understanding of call off & absence policy
- Consistency in practice in all areas of the company

Employees Responsibility – *Inform all Employees*

- Regular attendance expected
- Reporting unscheduled sick or other time away from work as per procedure
- Ensuring a speedy return to work
- Not to report to work when certified sick by HCP
- Informing manager of any work restrictions impacting upon performance on return to work - provide work restrictions prepared by HCP

Employers Outsourcing Absenteeism – Employee Call Offs



Management Outsource Outcomes

- Uniform system for all employees to call of work unscheduled
- Establishes Accurate Absenteeism Data
 - Direct capture of all planned and unplanned absences
 - Real-time Absence Notification
 - Full Absence Capture
 - Comprehensive Report by Business Unit
 - Creates EE absence records for disciplinary action & UI adjudication

Impact on Employees

- A single 24/7 call-in system for all employee absences
 - Immediate notification to all who need to know about an absence
- Creates “Sentinel Effect” for all employees on employer’s behalf

Automated Call Off Systems



Employee Call Off Process Flow

- Employee has an unscheduled absence
- Employee calls off by telephone IVR attendance management number
- Employee is identified thru their Personal ID Code (badge number, etc.)
- Follow the customized script answering with touch tone telephone prompts
- Provided confirmation number for proof of call
- Absence notification posted on employer dashboard
- Email notice sent to supervisor

Automated Call Off Systems

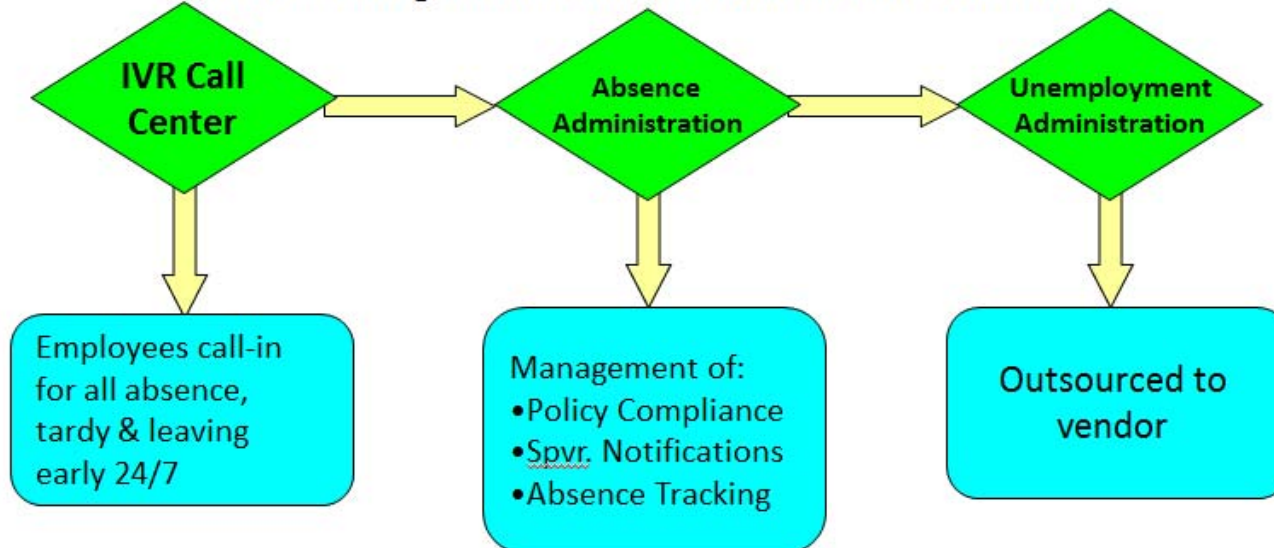


Process Flow



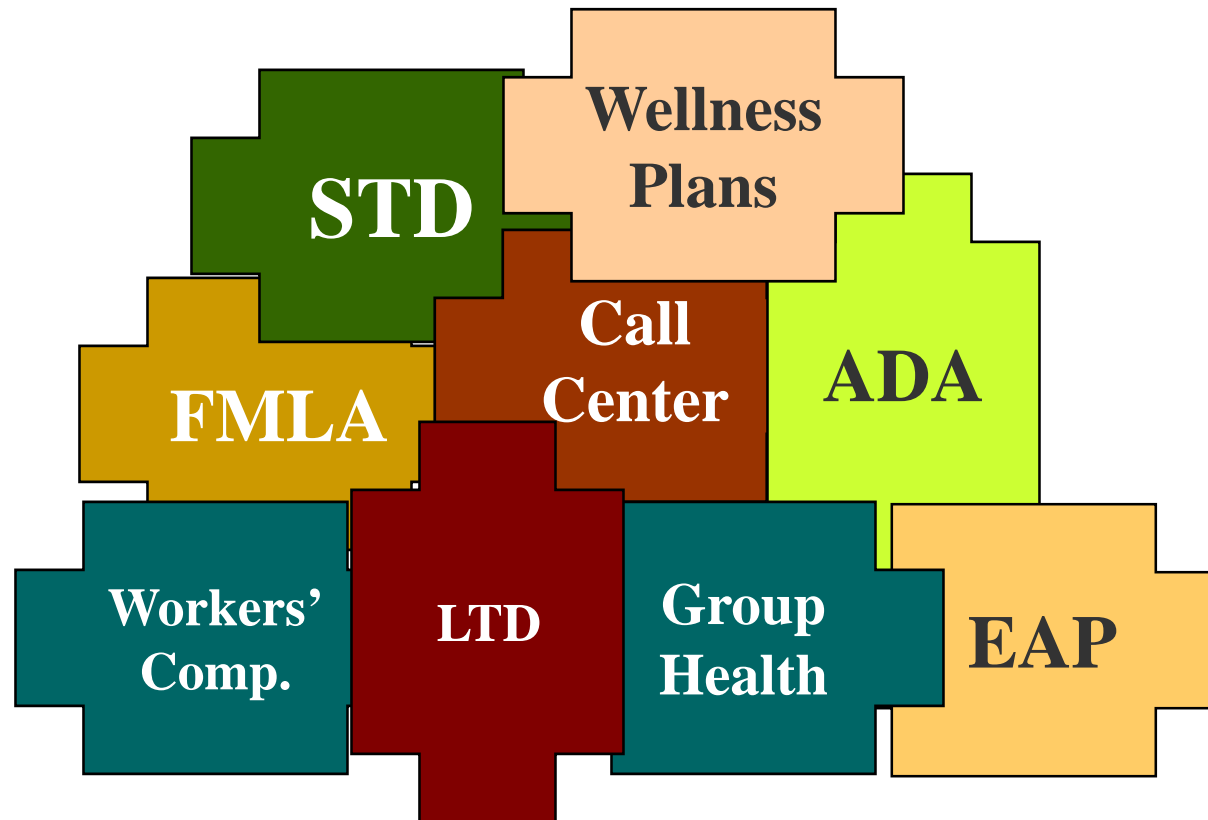
Connects the puzzle pieces

Absence Management Administration Information Path





Full INTEGRATION with Health, Safety & Productivity Management Services





Questions

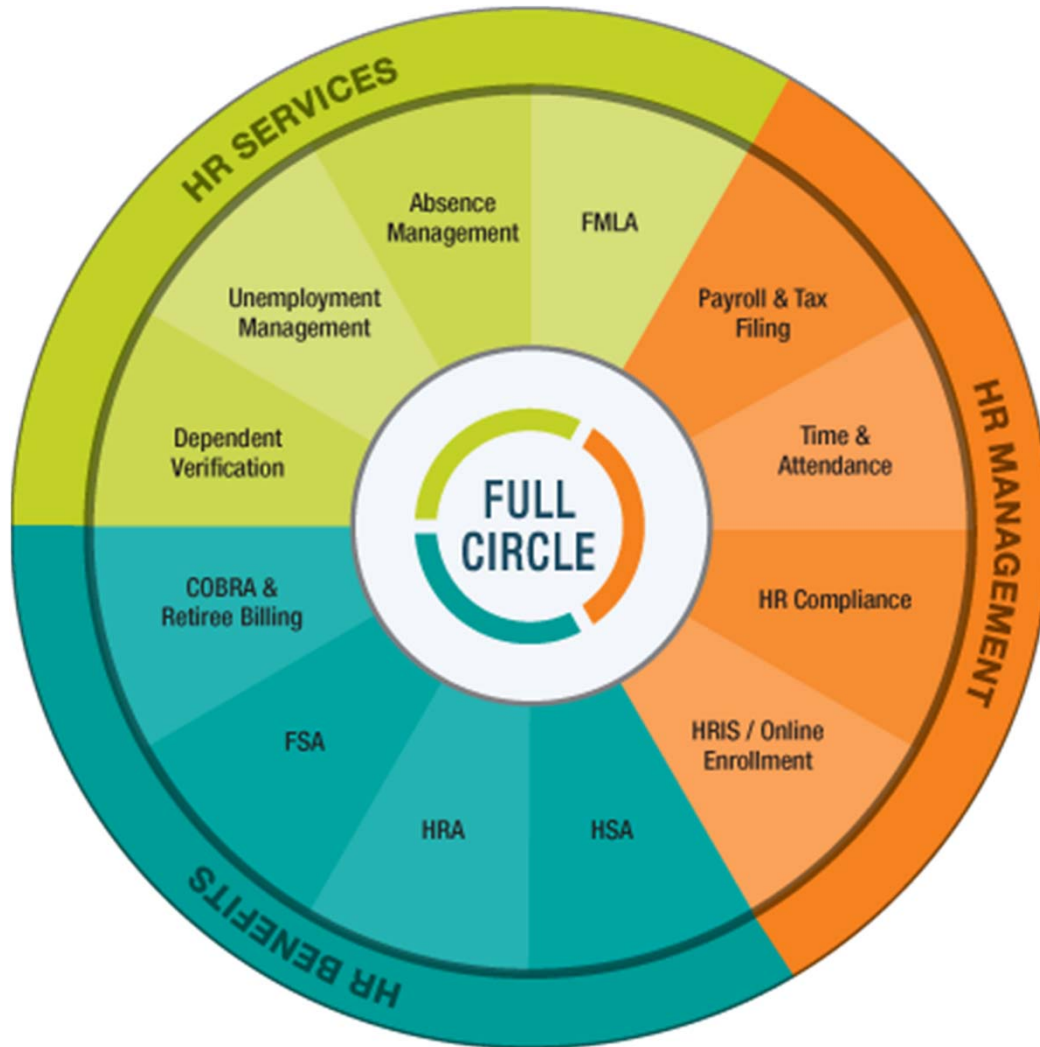


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Contact the Presenter



Joe Aitchison – Vice President

- Email: jaitchison@basiconline.com
- Office: (269) 488- 6236
- Cell: (616) 366-8789



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