



2005 Absence Management Survey

A JHA and EBN Report

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INTRODUCTION

JHA and Employee Benefit News (EBN) have completed the 2005 JHA/EBN Absence Management Survey, our second edition. Some of the questions asked in the 2005 survey are the same as, or slightly revised from, the 2003 survey. Comparing the results gives us a perspective on trends in the marketplace and a sense of the changes employers are making as a result of these trends. When possible, comparisons between 2003 and 2005 results are shown in the report.

Much has been discussed about the impact of absenteeism. Many companies are struggling to develop fair and reasonable absence management policies that discourage abuses. Additionally, employers are trying to improve the consistency in how absences are tracked. In this 2005 edition of the survey, the participants share information about the number of missed workdays, the costs of absenteeism, and insight into how they manage absenteeism at their company.

This survey was administered during the first quarter of 2005 via the Employee Benefit News website, www.benefitnews.com. Close to 450 employers completed the online survey, representing companies of many sizes and from various industries.

Key Findings

- **Companies continue to struggle to develop reliable and accurate means of calculating the financial impact of absenteeism.** Only 12% of companies participating in this survey are actually tracking the cost of absenteeism. Approximately 60% of the companies tracking such costs rated their performance as poor or fair, indicating room for improvement.
- **Most companies restrict the number of employee sick days available during the year.** Employees classified as management are allowed an average of nine sick days a year, while non-management employees are allowed slightly fewer at eight. Non-management employees typically use about 70% of their allowed sick days while management only uses 43%.
- **Larger companies continue to have more difficulty tracking unscheduled absences than smaller companies.** A greater percentage (43%) of companies that employ 500+ employees reported they do not know the average number of unscheduled absences per employee while only 27% of companies that employ 2-99 employees were unaware of these statistics. Issues such as having multiple tracking systems, inconsistencies with how supervisors are reporting absences, and lack of management support, limit their ability.
- **Only about half of the participants report having a formal return-to-work program.** While return-to-work programs are more prevalent in large companies, many companies (62%) do not consider an employee to be eligible for the program until advised as such by their insurance carrier or administrator.
- **The problem of decreased or slowed output by workers due to poor health, disability, work environment, or other reasons, is a concern or issue for 79% of the participants.** Although a fairly new trend, only 8% of the companies are taking steps to manage this problem known as “presenteeism”.

WHO PARTICIPATED

Participants in this year's survey represent companies of various sizes and industry sectors. In total, over 400 companies completed the online survey, representing over 800,000 full-time (FT) employees. The majority of the participants play an active role in human resources and the management of employee benefits at their company. Half of the participants described their function as Human Resources Vice President, Manager or Director. (Exhibit A)

Nearly three-fourths of the companies that participated employ between 2 to 499 full-time employees, defined as 30 hours a week or more. Approximately 30% of the participants employ 500+ full-time employees with 8% coming from what some call jumbo companies, employing 5,000 or more full-time workers. (Exhibit B)

Just over a third of the respondents come from companies in the industrial/manufacturing industry. Another third of the participants reported working in a service industry such as health care, financial services or "other" services. The remaining participants are evenly distributed between industries such as transportation, retail/wholesale, educational and non-profit.

Participants reported an average turnover rate for their companies of 14.1% in 2004. The industry with the highest turnover rate was the retail/wholesale industry which averaged 31.7%. Government, education and non-profit organizations had the lowest turnover rate of 11.9%. For this survey, turnover rate was defined as the number of workers who voluntarily left the company in 2004. (Exhibit C)

Exhibit A. Function of Survey Participant

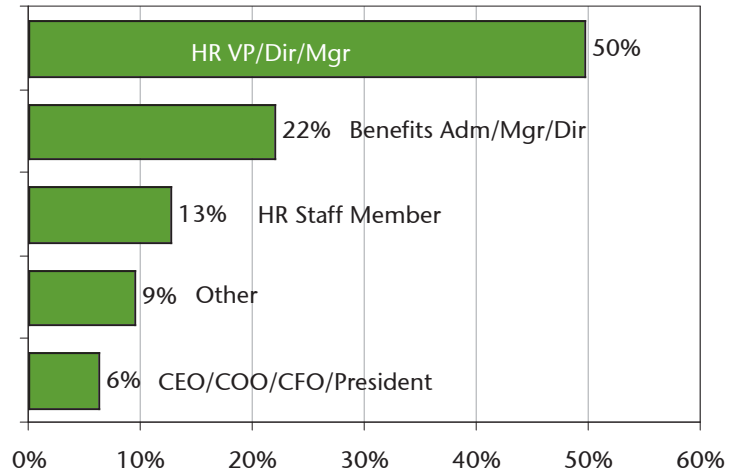


Exhibit B. Size of Companies Represented in Survey

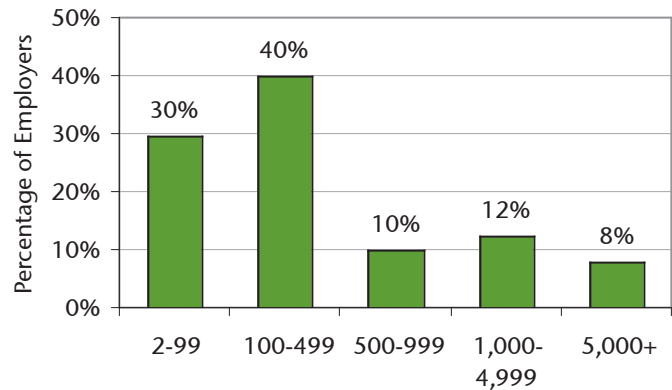


Exhibit C. Turnover Rate by Industry

	Industrial, Manufacturing, Transportation, Utility, Communication	Service (Financial, Health Care, "Other")	Retail, Wholesale	Government, Education, Non-Profit
Turnover Rate	13.1%	14.0%	31.7%	11.9%

TRACKING PROGRAMS

More companies track employee turnover rate and the reasons an employee voluntarily leaves than track the number of lost workdays or the cost of absenteeism. (Exhibit D) This may be driven by the difficulty companies seem to have in tracking lost workdays and costs. Exhibit D also illustrates slight increases and decreases from 2003 to 2005, for most of the tracking programs mentioned. The biggest change is in the percentage of companies tracking the number of lost workdays. The decrease may be caused by a number of different factors ranging from the make-up of the companies participating, to the fact that more companies are so dissatisfied with their method of tracking they have abandoned the system until improvements are made.

The percentage of companies using these tracking programs changes only slightly when looking at the results by company size. The greatest difference is in the percentage of companies tracking the cost of absenteeism. A higher percentage of companies with 1,000+ FT employees reported tracking the cost of absenteeism than companies with 2-99 FT employees.

Regardless of the company size, only a few companies that actually track the cost of absenteeism are pleased with their performance. Sixty percent of the participants reported that their company is doing a poor or fair job at tracking the costs of absenteeism. (Exhibit E) However, caution should be used when considering this finding given the low number of participants actually tracking costs (12%).

As was found in our 2003 survey, although few companies are tracking the cost of absenteeism, the majority feel that senior management needs to see the financial implications. Two-thirds of the participants agreed or strongly agreed that the cost of absenteeism needs to be demonstrated before more time and resources will be allocated to managing absenteeism. (Exhibit F)

Exhibit D. Percentage Having Various Tracking Programs

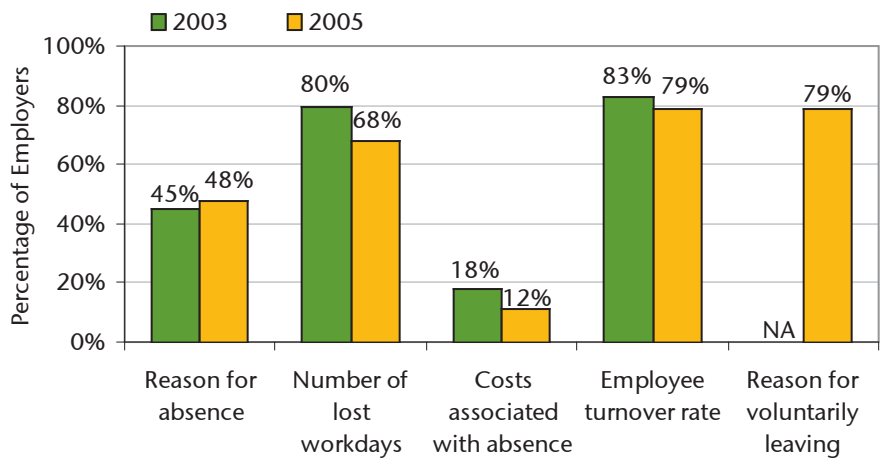


Exhibit E. Company Performance with Tracking Program

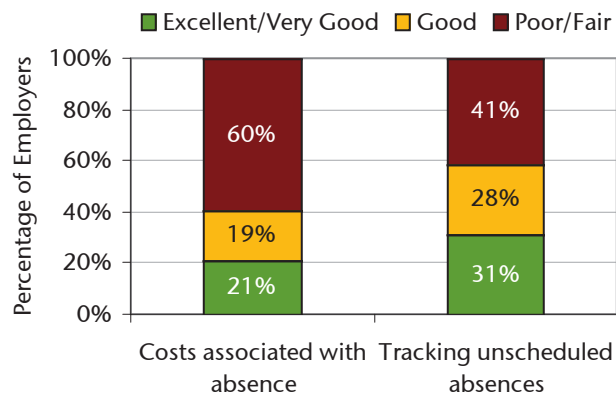


Exhibit F. Level of Support for Managing Absenteeism (Percentage of Employers Who Agree/Disagree)

	Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
More information on the cost of absenteeism is needed before senior management will dedicate more time and resources to managing it.	27%	39%	20%	13%	1%

FREQUENCY AND COST OF ABSENTEEISM

In 2005, there was a significant increase in the percentage of employers stating that they “do not know” the average number of lost workdays, compared to 2003. While some of this change can be attributed to how the question was revised, the increase in the percentage reporting they do not know (DNK) is reasonable given the fact that fewer employers reported tracking lost workdays in the 2005 survey.

Overall, the most frequently mentioned number of missed workdays was between 3 and 5. (Exhibit G)

The number of unscheduled absences was also analyzed by company size. Again, the most frequently mentioned number of missed workdays remains 3-5 days. For employers with 500+ employees, however, a larger percentage of participants reported the average was 8-10 compared to smaller employers. (Exhibit H)

As experienced in 2003, the larger the company, the less likely they are to know how many workdays are missed. This finding appears to support the hypothesis that larger employers continue to have difficulty tracking absences. Some reasons expressed in this survey included dealing with different operating systems, and management inconsistently applying policies.

Exhibit G. Average Number of Unscheduled Absences per Employee in 2004

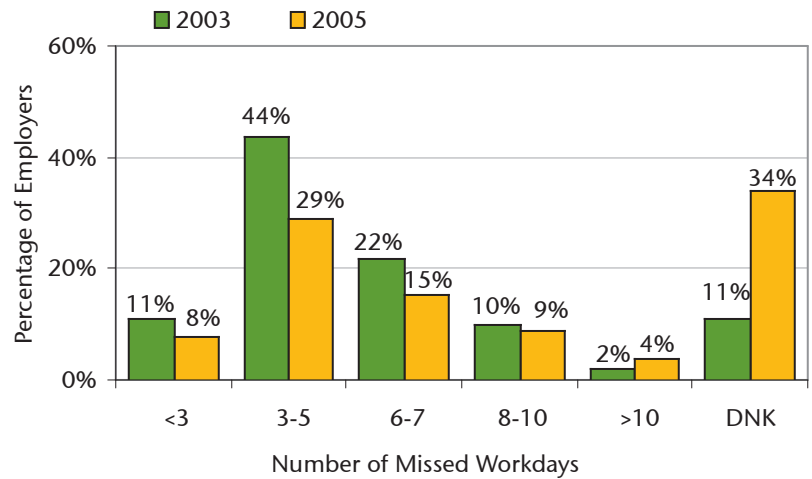


Exhibit H. Average Number of Unscheduled Absences by Employer Size

	2 - 99 Employees	100 - 499 Employees	500+ Employees
<3 days	14%	8%	3%
3-5 days	34%	32%	19%
6-7 days	14%	16%	17%
8-10 days	7%	9%	12%
>10 days	4%	4%	5%
Do Not Know	27%	32%	43%

For just over a third of employers, the number of unscheduled absences increased in 2004. Approximately 54% of the participants reported that the number of unscheduled absences was unchanged.

In this year’s survey, companies were asked to provide additional detail about the number of disability-related claims their employees filed in 2004 and the number of sick days employees were offered versus how many were used. In total, over 3,000

Workers' Compensation (WC) claims, over 7,900 Short Term Disability (STD) claims and over 850 Long Term Disability (LTD) claims were filed in 2004 by the employees represented in this survey. Given that the size of a company (number of FT employees a company employs) can greatly impact the number of claims reported, an incidence rate of claims per 1,000 employees was calculated. In 2004, participating companies reported an average of 23.4 WC claims for every 1,000 employees. STD was higher at 49.4 and LTD was lower at 4.6. (Exhibit I)

Results from this question were analyzed by industry. By combining industrial, manufacturing, transportation, utility, and communications we were able to calculate an incidence rate for occupations generally considered to be blue collar. An incidence rate for white collar occupations was calculated using industries such as health care services, financial services, government, and educational/non-profit organizations.

Exhibit J. Occupation Claim Incidence Rates (per 1,000 Full-time Employees)

	Workers' Compensation	STD	LTD
Blue Collar	32.5	51.9	5.5
White Collar	14.3	51.9	4.2

Results by industry were significantly different for Workers' Compensation and LTD. (Exhibit J) This could be due to a number of reasons. For example, blue collar occupations typically require more physical labor, and as a result, the odds are higher that an employee will become injured on the job. Additionally, it is difficult for an employee who becomes injured to return to work and meet the physical demands required for blue collar occupations.

When it comes to sick days, employers are more willing to offer unlimited sick days to management than to employees classified as non-management or union. For employees classified as non-management, only 13% of employers offer unlimited sick days while 87% restrict the number of sick days allowed in a year. (Exhibit K)

Exhibit K. Percent of Employers Restricting Sick Days or Allowing Unlimited

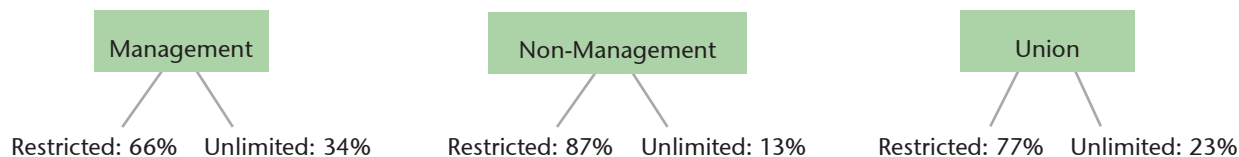
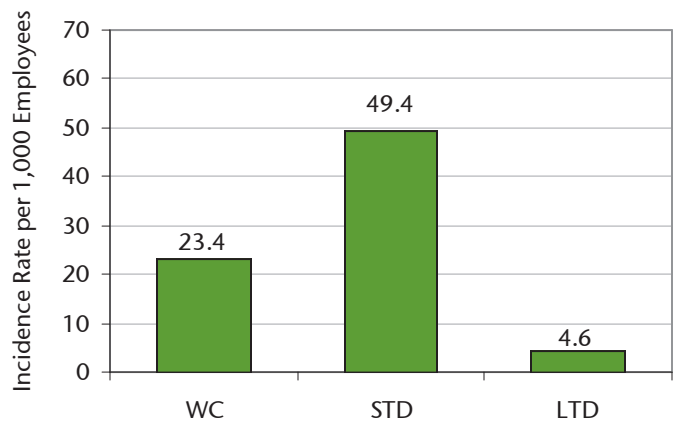


Exhibit I. Claim Incidence Rates (per 1,000 Full-time Employees)



For those companies that restrict the number of sick days, employees classified as management or union are allowed an average of nine sick days a year while non-management employees are allowed slightly fewer at eight days a year.

Exhibit L. Average Number of Sick Days Used per Employee in 2004

	Restricted Sick Days	Unlimited Sick Days
Management	3.6 Days	3.6 Days
Non-Management	5.5 Days	5.6 Days
Union	7.0 Days	Small Sample

The number of sick days typically used by employees is fairly consistent, regardless of whether they are restricted or unlimited. For a non-management employee with a restricted number of sick days, an average of 5.5 days were used in 2004. For a non-management employee with an unlimited number of sick days, an average of 5.6 days were used. Overall, management used the least number of sick days, averaging only about 3.6 in 2004.

Additional analysis was done to test what percentage of the allowed sick days are typically used. Management typically uses about 43%, a figure calculated by dividing the number of used sick days by the number of allowed sick days. Non-management and union employees were higher with about 71% and 76% of the allowed sick days being used.

Cost of Absenteeism

As stated earlier, few companies reported tracking the cost of absenteeism for their company. Of those that do, not many felt they were doing a satisfactory job. Regardless of whether they are tracking the cost or not, companies were asked to provide an estimate of how much it costs their company each day an employee is absent. In total, companies reported an average cost of \$260 per employee, per day absent. Similar to 2003, the majority of participants felt their daily absenteeism costs ranged from \$101 to \$300. (Exhibit N)

Exhibit M. Sick Days Used vs. Sick Days Allowed

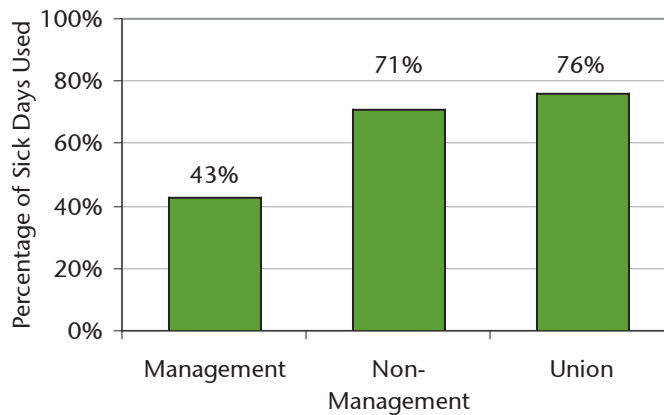
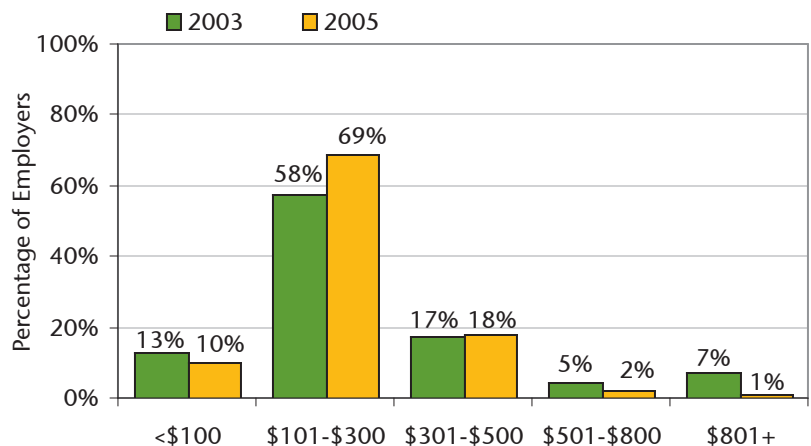


Exhibit N. Cost of Absenteeism



When asked how they calculated their absenteeism cost, the majority (53%) reported calculating the cost using only the employee’s salary. About a third of the companies included a cost for a replacement worker and/or lost revenue. It should be noted that the more sophisticated the cost formula, the greater the daily cost. Those companies that included the cost of replacement workers and lost revenue had the highest average daily cost of \$500. (Exhibit O)

Exhibit O. Cost of Absenteeism by Calculation Method

1. Employee’s salary for the day (53%)	\$189
2. Number 1 (above) + cost of replacement worker (22%).....	\$231
3. Number 2 (above) + lost revenue (14%).....	\$500
4. Other (11%).....	\$342

REASONS FOR ABSENCE

Participants were asked what percentage of absences were due to an employee’s sickness or injury, their dissatisfaction with the workplace or supervisor, and/or a family issue. Given that slightly less than half of the participants reported actually tracking the reason for an absence, many of the responses were based on the participants’ perception. On average, 55% of the absences appear to be due to the own employee’s sickness or injury. Twenty-five percent are due to a family member issue. (Exhibit P) “Others” mentioned include taking a mental health day, or the employee is suffering from extreme stress or fatigue.

Stress continues to be an issue for employees. According to participants, stress in and out of the workplace continues to rise. In fact, 99% of the employers surveyed feel that stress outside the workplace is effecting workplace productivity. (Exhibit Q)

Exhibit P. Reason for Absence (Participants’ Perception)

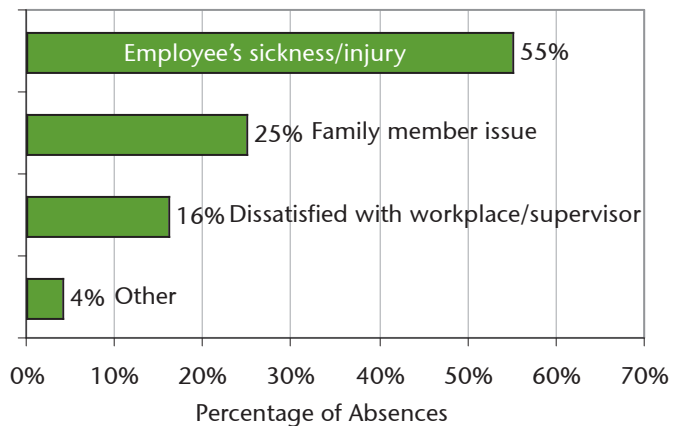


Exhibit Q. Impact of Stress and Mental Health (Percentage of Employers Who Agree)

	Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
Today our employees experience more stress in the workplace.	25%	44%	22%	8%	0%
Stress outside the workplace greatly impacts employee productivity.	40%	50%	9%	1%	0%
Employee absenteeism due to mental health issues is on the rise.	15%	42%	28%	14%	0%

MANAGING ABSENTEEISM

This year, fewer participants feel that the culture of their company supports the management of absenteeism. While two-thirds of the participants agreed with this statement, if only somewhat, nearly a third disagreed. (Exhibit R)

Exhibit R. Level of Support for Managing Absenteeism (Percentage of Employers Who Agree)

	Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
Our culture and procedures support efforts to manage employee absenteeism.	7%	33%	29%	28%	3%

When asked what tools companies use to manage absenteeism, results varied. While supervisor training was the most frequently mentioned, only 37% reported using this tool. Offering a paid time off (PTO) program was the next most frequently mentioned tool and only a few companies use online reports, benchmarking or integration of benefits as tools to manage absenteeism. (Exhibit S)

Exhibit S. Tools to Manage Absenteeism

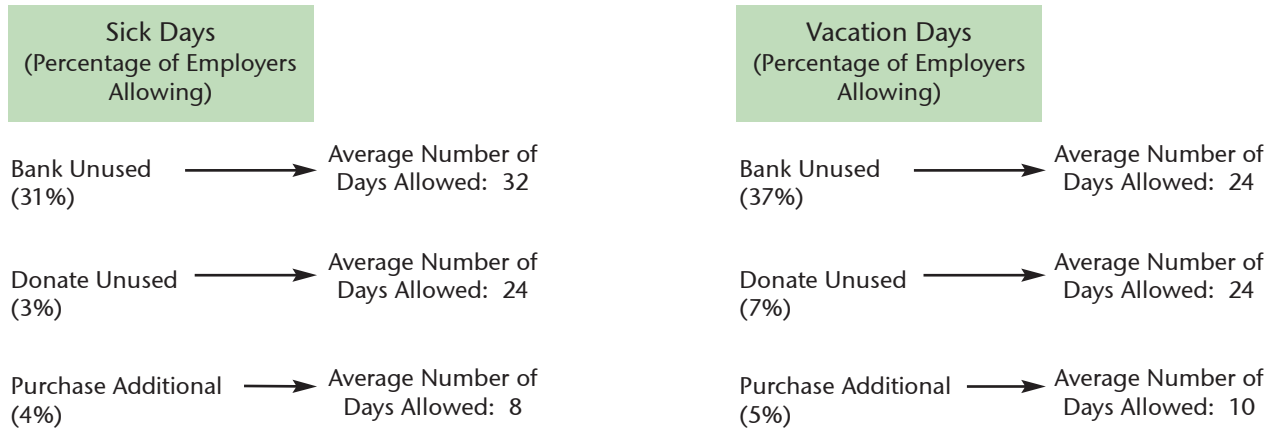
	Percentage of Employers
Supervisor training	37%
Offer PTO program	34%
Offer work/life benefits	27%
Track employee satisfaction	22%
Reward & recognition of managers	18%
Online absence reports	15%
Benchmarking against similar companies	14%
Integrate STD, LTD, WC	12%
Other	8%

Approximately 14% of participants reported not using any of the above tools while nearly a third use three or more of these tools. The larger the company, the more likely they are to use one or more of these absence management tools. Just over half of the companies with 1,000 or more employees reported using three or more of these tools compared to 18% for companies with less than 100 employees.

Some employers have opted to allow employees the ability to donate, purchase, or bank unused sick days and/or vacation days as a means of allowing employees some flexibility but also controlling the amount of leave time. Nearly a third or more of

employers allow employees to bank unused sick time and/or vacation days. On average, employees are allowed to bank a maximum of 32 sick days and 24 vacation days. Few employers (less than 10%) allow their employees to either donate or purchase sick or vacation days. (Exhibit T)

Exhibit T. Banking, Donating, and Purchasing of Sick and Vacation Days

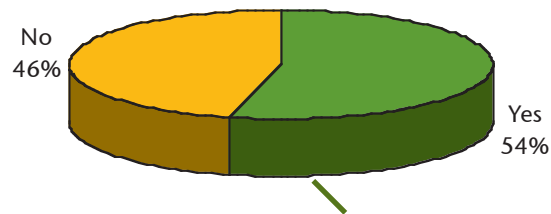


FORMAL RETURN-TO-WORK PROGRAMS

Another means to control absenteeism is through formal return-to-work programs. Just over half (54%) of the companies reported having some type of formal program, although some companies depend on their disability insurance carrier or an administrator to manage their return-to-work program. (Exhibit U)

When analyzing the results by company size, it is apparent that the larger the company, the more likely the employer is to offer a return-to-work program. Only 35% of the companies with less than 100 employees reported having some formal return-to-work program compared to 77% of the companies with 5,000 or more employees. (Exhibit V)

Exhibit U. Employers Who Offer a Formal Return-to-Work Program



What's Covered:

- Work and non-work related injury/illnesses:* 30%
- Work related injury/illnesses only:* 23%
- Non-work related injury/illnesses only:* 1%

Exhibit V. Return-to-Work Programs Offered (by Company Size)

	2-99 Employees	100-499 Employees	500-999 Employees	1,000-4,999 Employees	5,000+ Employees
Offer a formal program	35%	57%	64%	69%	77%
<u>Do not offer</u> formal program	65%	43%	36%	31%	23%

What is covered by the return-to-work program varies. Just under a third of the participants reported offering a program for both work and non-work related injuries or illnesses. Very few of the programs (1%) are for non-work related only. (Exhibit U)

The majority of participating companies rely on their disability or Workers' Compensation carrier or administrator to determine when an employee is eligible for the return-to-work program. Few employers (17%) specified that an employee becomes eligible by simply being absent for a certain number of days. (Exhibit W)

Exhibit W. Eligibility for Return-To-Work Program

	Percentage of Employers
Determined by insurance carrier/administrator	62%
After being absent a certain number of days	17%
Other	15%
When supervisor/manager recommends	11%

The number of days absent varied from one day to as many as 100 days. On average, however, participants reported they require the employee to be absent 15 days before they are eligible for the return-to-work program.

When asked if participants agree that their carrier/administrator could do more to help in returning employees to work, 56% agreed that more could be done, if only somewhat, and 44% felt that they were doing enough. (Exhibit X)

Exhibit X. Level of Support for Managing Absenteeism (Percentage of Employers Who Agree)

	Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
Our disability carrier or administrator could do a better job helping us in returning employees to work in a reasonable timeframe.	6%	22%	28%	38%	6%

In rating themselves, 65% of employers feel they are having some success at returning employees to work while 35% stated their company was doing a fair or poor job, indicating room for improvement. (Exhibit Y)

While comments detailing the challenges companies face in managing absenteeism varied, the most frequently mentioned obstacle involves improving/developing a tracking system.

Exhibit Y. Employers' Success at Returning Employees to Work



Additional challenges frequently mentioned include applying policies in an equitable and consistent manner, managing lost productivity, finding replacement workers for those who are absent, and getting management to understand the importance of managing absenteeism. (Exhibit Z)

Exhibit Z. Challenges in Managing Absences

	Percentage of Employers
Improving/developing a tracking system	17%
Equitable/consistent application of policies	13%
Managing lost productivity, finding replacement workers	11%
Getting management to understand importance; be more willing to take a proactive stance	10%

Here is what some participants had to say:

“Our most significant challenge continues to be a lack of management support and the inability to track absenteeism.”

“Ensuring equitable application of standards for all departments. Some managers are better at enforcing the standards than others. This can lead to unequal treatment of employees with similar attendance records.”

“Each department is tightly staffed. When there is an unscheduled absence someone usually is doing two jobs in the same timeframe that two employees would have done the job. Job performance suffers.”

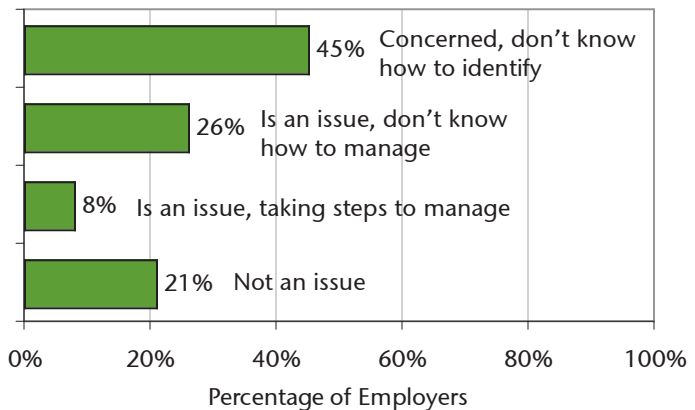
PRESENTEEISM

New to the 2005 survey, participants were asked how “presenteeism” was impacting their company, if at all. For the purpose of this survey, presenteeism was defined as the problem of decreased or slowed output by workers due to poor health, disability, work environment, or other issues.

Realizing that this is a fairly new topic that has received a lot of attention in the media and at seminars or industry meetings, the intent of this question was to determine if employers, do in fact, consider this an issue. Interestingly, only 21% of participants do not feel that presenteeism is an issue. However, of the 79% that see presenteeism as an issue or are concerned, only 8% are taking steps to manage it. (Exhibit AA)

Presenteeism does not appear to be an issue that is limited only to large companies. When testing the results to this question by company size, both large and small companies expressed an equal level of concern and admitted having issues with identifying or managing presenteeism in their company.

Exhibit AA. Presenteeism



FUTURE PLANS

Looking forward, companies appear to be most interested in developing a method for calculating the cost of unscheduled absences. This is not surprising given that two-thirds of participants feel that cost information is needed before senior management will spend more time and resources to address the issue of absenteeism. (Exhibit AB)

Exhibit AB. Future Plans

	Percentage of Employers
Calculating the cost of unscheduled absences	44%
No foreseeable changes	37%
Calculating how days absent impact profit/revenue for the company	33%
Implementing an absence tracking program	33%
Integrate health and disease management programs with absence management	16%
Implement a paid time off program	11%
Implement a formal return-to-work program	11%
Decrease the number of days allowed for unscheduled absences	10%
Integrate STD, LTD, and Workers' Compensation benefits into one program	7%

IN JHA'S VIEW

Employers continue to struggle with senior management's unwillingness to devote resources to, or investment in, absence management solutions, despite the development and refinement of technology to meet the needs of virtually any company. Notwithstanding this struggle, the number of companies reporting "no foreseeable change" in their future plans decreased in 2005 compared to 2003. We see this as a slow shift in the right direction.

The number of participants reporting that they "do not know" the number of unscheduled absences in their company was an alarming 34%. This number, combined with the fact that relatively few companies that actually track the cost of absenteeism, leaves employers vulnerable to the "unknown costs" of lost workdays. From a financial perspective, there is a significant monetary risk involved when employees call in sick or do not show up for work.

The impact of stress and other mental health issues in the workplace continues to take its toll. This is especially true of stress from outside the workplace. Once again, 99% of participants agree that outside stress has an impact in the workplace. The consistent response year-to-year leads to the conclusion that not enough is being done to address the issue of stress-management, mental health care and related matters that affect employees.

The issue of presenteeism is complex because it is even more difficult to quantify than missed work days. When an employee is at work, but not productive, a new range of management issues arises. The root causes of presenteeism are varied and the solutions to presenteeism, like absenteeism, are not always obvious. We hope that by drawing attention to the impact of absenteeism and presenteeism, employers and their management teams may soon embark on the development of effective tracking and management strategies.

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