



## The true picture of workplace absenteeism

This study concludes that employers can reduce absenteeism, lost productivity and significant cost when they understand the causes of absenteeism at their organization and adopt targeted strategies to address them. The challenge is that many organizations are not tracking absence accurately and believe that simply requiring a physician's note to verify absence is a sufficient measure to manage it.

Analysis of data from a representative respondent group of employees, employers and physicians determined that causes of absence are as likely to be non-illness related as they are to be illness related, particularly where certain work factors exist. Moreover, the absence is sometimes prolonged because employees feel their condition will not be accommodated in the workplace or have fears about returning. In order to address absenteeism more effectively, employers should implement an attendance reporting and tracking system, address specific work factors that affect both illness related and non-illness related absence, and ensure that expert resources are available to support the resolution of return to work barriers for employees on disability leave.

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# Executive summary

Despite reports of the multi-billion-dollar impact of employee absenteeism on the Canadian economy, as well as evidence of the mitigating effect of integrated absence management strategies, employers may be unaware of the extent and causes of absence issues within their own organization. This study by the Morneau Shepell research group surveyed employers, employees and physicians to gain a better understanding of the underlying factors that predict absenteeism in order to define effective solutions.

- The study found that slightly more than half (52%) of incidental absence is not due to illness.
- Work-related factors were found to play a role in predicting whether the type of incidental absence is related to illness or non-illness reasons.
- The study further found that non-illness related absence (absence that is not related to either a mental or physical health issue) is more likely where workplace stress was reported by the employee, and where the employer did not support mental wellness.

When considering prevailing solutions, the current use of medical notes was called into question by physicians themselves.

- Several physicians indicated that there is no medical value to these notes and this use of the physician's time is not appropriate. Only 5% of those who commented indicated that medical notes had any value in managing absenteeism.
- For both incidental and disability absence, physician responses pointed to a need for greater workplace ownership and problem solving regarding employee absence. Employee responses regarding incidental absence suggested the same, but more from a preventative than problem-solving perspective.

Presenteeism is also noted as an issue.

- A higher proportion of employees indicated that presenteeism is a serious issue in their workplace than did employers.
- A lack of organizational support for mental wellness was found to predict presenteeism, in addition to non-illness related absence.

The study's findings suggest that absence is not random. The predictors of both illness and non-illness related absence can be influenced by an employer. Three foundational recommendations are provided in the conclusion section of this report, along with the rationale and critical features suggested for each:

1. Implement an attendance reporting and tracking system;
2. Ensure that expert problem-solving resources are available to resolve the return to work barriers for employees on disability leave, as well as those with chronic health issues that impact work; and,
3. Assess and address the specific work factors in the organization that predict illness related and non-illness related absence.

# Background

Employee absences are costing the Canadian economy an estimated \$16.6 billion dollars annually according to a 2013 Conference Board of Canada report.<sup>1</sup> In a separate report, the Conference Board determined that substantial and immediate cost savings were available.<sup>2</sup> That said, individual employers may be unaware of the cost in their own organizations. Morneau Shepell's 2014 Compensation & Trends in Human Resources survey indicated that 64% of employers do not track the cost of incidental absence.<sup>3</sup>

Morneau Shepell's research group explored the issue of work absence further by conducting an investigation into the drivers of absenteeism, and the efficacy of common practices in Canada. The rationale for this study was that if employers understood the true reasons behind absence and the impact of what they currently do, they would have the insight and greater motivation to address employee absence more directly and effectively.

"Absenteeism" refers to very short incidental absences, such as staying home from work due to a cold, and "disability absence" relates to absences of more than a week, and up to several years. "Presenteeism" is defined as the time employees spend at work while not productively engaged in work.

In this study, "illness" consists of both mental and physical illness. "Non-illness" is defined as a personal issue, practical issue or choice that is not related to illness.

## Methodology

The study consisted of a survey conducted in November and December of 2014 to assess the perspectives of employees, physicians and employers across Canada.

Employers were represented by human resources decision-makers. The sampling methodology ensured a representative respondent group of employers and employees in terms of geography, industry group, company revenue, and company size. Physicians were sampled according to practice type and geography.

The composition of the three groups of respondents is as follows:

Employees (n=1,005)

- 81% working full-time
- 12% working part-time
- 6% self-employed

Physicians (n=104)

- 100% general practice

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1 Conference Board of Canada, Missing in Action: Absenteeism Trends in Canadian Organizations (2013).

2 Conference Board of Canada, Disability Management: Opportunities for Employer Action (2013).

3 Compensation & Trends in Human Resources Survey, Morneau Shepell (2014)

Employers (n=100)

- 14% C-suite executives
- 41% vice-president/senior HR
- 38% HR manager
- 7% owner/principal

## Margins of error

Valid 19 times out of 20: +/- 3.09 % for employees  
+/- 9.7 % for physicians  
+/- 9.8 % for employers

Data were collected and analyzed in response to the following research questions:

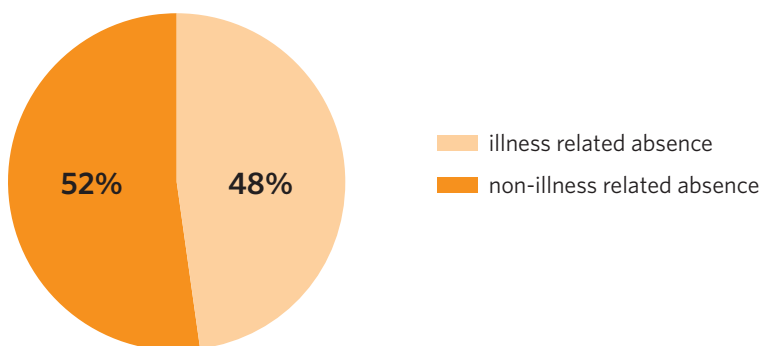
1. What are the reasons for employee absences in the Canadian workplace?
2. What is the employers' view of employee absences?
3. Are the current prevailing practices for managing absences working?
4. How do presenteeism and absenteeism compare?
5. What should employers do to address absenteeism more effectively?

## Research results

### 1. What are the reasons for employee absences in the Canadian workplace?

#### More than half of all incidental absences are not related to illness

When employees were asked to indicate the reason for their last absence from work, the majority (52%) indicated a non-illness related reason.<sup>4</sup>



The employee survey respondents who reported an absence were categorized into two groups, depending on whether they indicated that their last incidental absence was illness related or non-illness related. Data were then analyzed to identify factors that could predict to which group an absent employee belonged.

<sup>4</sup> Illness related reasons for absence included both mental and physical illness. Non-illness reasons for absence included family issues, personal issues, practical issues, stress, dissatisfaction with the job/manager/company, looking for another job, and the fact that sick days are paid and people want to use them.

### **Different workplace factors predict the type of incidental employee absence.**

- Employee reports of absence being a serious issue in their workplace predict illness related absence.
- Employee reports of workplace stress are predictors of non-illness related absence.
- Employee reports of lower organization support for mental wellness also predict non-illness related absence and employee presenteeism.

#### **Comments:**

*The finding that incidental absence – and even the type of absence – is in some measure predictable, suggests that a portion of absence is also preventable.*

*The results further indicate that work-related factors are predictors of absence. As such, employers are in a position to take action to influence absenteeism.*

## **2. What is the employers' view of employee absences?**

### **There is a disconnection between employers' recognition of the cost and productivity impact of absence in their workplace, and their view of the seriousness of the problem.**

A majority of employers view absenteeism as costly and having a negative impact on productivity for their organization. Yet, only half indicate that absenteeism is a serious issue in their workplace. Just under half of employees also indicate that absence is a serious issue for their workplace.

- 90% of employers agree that absenteeism is very costly for their organization.
- 90% of employers agree that absenteeism negatively impacts productivity.
- 52% of employers indicate that absenteeism is a serious issue in their workplace.
- 43% of employees indicate that absenteeism is a serious issue in their workplace.

#### **Comments:**

*The disconnection between employers' recognition of the cost and productivity impact of absence and their view of absence as a serious issue may suggest some level of employer complacency toward absenteeism. If Canadian employers see the current level of absence as simply a cost of doing business, investment in improvements may not be a priority, and the savings opportunity may not be top of mind. This may explain the lack of consistent absence tracking as noted earlier. If complacency is indeed an issue, it may be the result of many things, including lack of information on what to target, or frustration with past or current efforts.*

*Given the clear impact that absence has on cost and workplace productivity, there is significant benefit in resolving any issues related to complacency. As well, since more than 4 in 10 employees see absence as a serious issue in their workplace, it is likely a negative factor in employee engagement. With this in mind, we assessed views on the effectiveness of current prevailing practices in absence management.*

### 3. Are the current prevailing practices for managing absences working?

**Most physicians are regularly asked to provide medical notes for employees, but only 5% of those who commented indicated that they believe this to be effective in managing absenteeism.**

- 95% of physicians indicate that patients regularly ask for medical notes to explain an absence from work.
- 81% of employers indicate they manage absence through performance management, which often increases the requirement for medical notes.
- Yet only 5% of physicians who commented indicate that medical notes are effective in managing absenteeism.

In fact, according to physicians' comments, medical notes may actually validate unnecessary absence. These comments include:

*"I do not know if [the employee] was sick since they come to see me after they are better;"*

*"Using the family doctor as police, in effect, may delay RTW [return to work] as patient waits until has note then returns to work;" and,*

*"Truancy management is not a medical service."*

**Most employers appear to understand that stress and mental health issues have a role in absenteeism, but about half of employees do not recognize that their organization provides support in these areas.**

- 83% of employers indicate that they believe stress and other mental health issues play a role in employee absenteeism.
- 56% of employees indicate that they are not aware of their organization offering employee assistance programs.
- 43% of employees indicate that their organization does not create an environment that supports mental wellness on the job.

**Processes and resources to support employees in returning to work from a disability leave should be more focused on workplace problem-solving than medical documentation.**

Physician respondents indicate that the management of longer-term (disability) absences and chronic conditions should be managed through better workplace practices and processes, rather than primarily medical validation.

- 76% of physicians indicate that a major barrier to returning employees to work following a prolonged absence is workplaces not being able to accommodate their conditions (the top-ranked barrier).
- 62% of physicians indicate that a major barrier to employees returning to work following a prolonged absence is their fear about returning (the second-ranked barrier).
- 49% of physicians are not comfortable providing information on work performance limitations due a medical condition.
- 21% of physicians are not comfortable providing medical notes for workplace duty restrictions.

## Comment:

*Given that only half of incidental absences are related to illness according to the employees' report of their own absences in the survey, it is not surprising that physicians do not feel that their notes have much impact.*

*Medical notes may be ineffective because they justify absence after the fact. While the effort of getting a medical note may deter some employees from taking time off, this deterrent is typically in force only after a certain threshold, such as 3 or 4 absence occurrences or absence days, which may suggest that 1 to 2 absence days are open to be taken at liberty.*

*For longer-term absences, physician responses suggest that improved workplace problem-solving regarding return to work transition, and addressing the employees' fears of returning, should be emphasized rather than over-relying on physician documentation regarding employees' working capacity.*

*Clearly, an opportunity also exists to increase awareness of stress and mental health issues as factors in absenteeism, and to improve employee understanding of the support available to them.*

## 4. How do presenteeism and absenteeism compare?

**Presenteeism and non-illness related absence are both predicted by work-related stress. More employees see presenteeism as a serious issue than see absence as a serious issue. As well, more employees than employers see presenteeism as a serious issue.**

As noted earlier, both non-illness related absence and presenteeism are predicted by work-related stress.

This study also indicates that employees are more likely to see presenteeism as a serious issue than absenteeism, and employers are more likely to see the reverse.

- 32% of employers indicate that presenteeism is a serious issue in their workplace (versus 52% for absenteeism).
- 53% of employees indicate that presenteeism is a serious issue (versus 43% for absenteeism).
- Both employees and employers who see presenteeism as a serious issue in their workplace are more likely to see absenteeism as a serious issue as well, with the likelihood slightly higher for employees.

### **More than 8 in 10 employees self-report experience with presenteeism.**

81% of employees indicate that, in the 6 months prior to completing the survey, they have gone into work when they were not able to perform as well as they would have liked (or as well as they have performed in the past).

Of the 391 employees who responded to a follow-up question asking why they could not perform at 100% (more than one response was permitted):

- 62% of responses indicated illness:
  - 47% indicated that physical sickness played a role;
  - 15% indicated depression
- 62% of responses indicated work and stress:
  - 40% pointed to stress;
  - 22% indicated issues with their work/workplace or co-workers/managers



## Employee self-reporting of presenteeism from all causes was related to several issues.

These include:

- Workplace stress;
- Illness due to workplace stress;
- The reported seriousness of presenteeism in the company as a whole;
- Lower levels of reported organizational support for mental wellness.

### Comments:

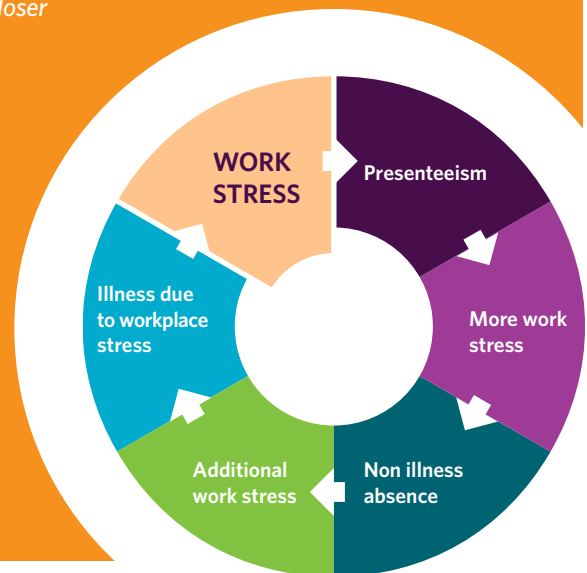
*Presenteeism, which is defined as the time employees spend at work while not productively engaged in work, is an issue worthy of attention. Researchers estimate that the true cost of presenteeism to an organization is larger than that of absenteeism.<sup>5</sup>*

*The finding that employees are more likely than employers to see presenteeism as a serious issue in their workplace may be due to employees being closer to the experience and impact of presenteeism.*

*The relationships noted in this study between work stress and (1) presenteeism and non-illness absence and (2) presenteeism and other factors are worthy of further exploration. They may possibly indicate a cycle of:*

*Work stress (leads to) presenteeism ▶ more work stress  
▶ non illness absence ▶ additional work stress ▶ illness due to workplace stress.*

- *All of which may emerge unmitigated due to lack of organizational support for mental wellness, and*
- *All of which may create a culture of absenteeism.*



## 5. What should employers do to address absenteeism more effectively?

**Employees and employers differ in their top recommendations to address absenteeism more effectively. Employee recommendations relate primarily to work factors that are preventative. Employer recommendations relate primarily to management interventions in response to absence issues.**

Among all respondents, 42% of employees and 43% of employers provided recommendations. The percentages noted below represent those who responded.

Top employee recommendations include:

1. Treat staff better/improve morale (12%)
2. Provide flexible working hours or reduced workload (12%)
3. Provide extrinsic rewards such as incentives or rewards (9%)

5 Paul Hemp, "Presenteeism: At Work – But Out of It," Harvard Business Review 2004 Oct; 82 (10): 49-58, 155

Top employer responses include:

1. Better documentation/monitoring/following through (29%)
2. Better Human Resources support or early intervention (22%)
3. Better management (13%)

### Comments:

*These responses indicate that employees tend to make recommendations that relate to their experience at work. The top comment of "improve morale" suggests a link between absence and engagement. Employers appear more reactive, with a focus on interventions that would be initiated when there is an absence issue.*

*Given that employees are closer to their own rationale for absence, employers would be well advised to give significant weight to the employee responses.*

## Conclusions

**The results of this study indicate an opportunity for employers that they may not fully recognize.**

Absence clearly impacts overall work productivity; in fact, absenteeism can be viewed as the antithesis of productivity, given that productivity is zero during any period of absence. Furthermore, excessive absence has many implications:

- It puts an added strain on the employee when he or she returns to work;
- It impacts co-workers in cases where others need to compensate for the employee's absence; and,
- It impacts employer's finances, particularly when replacement workers are used.

Each of these situations can have a longer-term negative impact on productivity, either through increased work stress or through a reduction of available funds for systems, resources and programs that may benefit employees and the organization.

Even though employers may be well aware of the impact of employee absenteeism on productivity and cost, individual organizations may not feel any urgency to revise their own absence management practices. Employers that have no absence tracking mechanism in place and rely primarily on physician notes to validate incidental absences would not have adequate data to understand whether they have an issue with undue absence or know where to focus. The insights provided by this study suggest the following actions for employers:

### **1. Implement an attendance reporting and tracking system.**

- Absenteeism is an essential indicator of workplace health and productivity, as well as a cost burden.
- Tracking enables the identification of employees who are in need of support in managing health, workplace or personal issues.
- Tracking supports early and timely intervention for employees with longer-term absences leading to disability leave. Such early intervention is a key factor in the successful resolution of disability claims.
- Tracking also enables measurement of the impact of interventions, including those related to engagement and workplace mental wellness, as well as absence.

**2. Ensure that expert problem-solving resources are available to support the resolution of return to work barriers for employees on disability leave, as well as those with chronic health issues that impact work.**

- The development of accommodation strategies requires a structured and consistent process that fits the unique needs of each workplace.
- Employee fears of returning to work also need to be addressed directly. At a minimum, this requires very clear and specific return to work plans, coaching of the employee and supervisor, and professional counselling for the employee, where needed.
- Problem solving, not external documentation, is the core of effective disability management. Problem solving is most effective when it fully engages the employee and the supervisor, given that the intent is to address a particular phase of work (the disability leave) and support both parties in continuing a relationship that supports workplace productivity.
- The cost savings that are immediately available when a problem-solving disability management program is implemented often support the investments needed to promote prevention.

**3. Address specific work factors in your organization. The impact of work factors on absence is clear given the relationship between: (a) non-illness related absence and both work stress and lower levels of organizational support for mental wellness, and (b) the relationship between illness-related absence and a workplace culture of absence.**

- Leverage data from your Employee Assistance Program provider and employee questionnaires to determine the specific drivers of workplace stress for your employees.
- Implement actions that support workplace mental health and wellness given that they are integral to an absence prevention strategy.
- Ensure that managers are trained to recognize and intervene appropriately with a problem-solving focus when an employee's work behaviour changes and presenteeism becomes an issue.
- Develop and implement clear messages, actions and investments that support work attendance in order to directly address or prevent a culture of absenteeism.

For more information about this report, email [research@morneaushepell.com](mailto:research@morneaushepell.com) or call **1.888.667.6328**.

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Morneau Shepell is the largest company in Canada offering human resources consulting and outsourcing services. The Company is the leading provider of employee and family assistance programs, as well as the largest administrator of retirement and benefits plans and the largest provider of integrated absence management solutions in Canada. Through health and productivity, administrative, and retirement solutions, Morneau Shepell helps clients reduce costs, increase employee productivity and improve their competitive position. Established in 1966, Morneau Shepell serves approximately 20,000 clients, ranging from small businesses to some of the largest corporations and associations in North America. With approximately 3,700 employees in offices across North America, Morneau Shepell provides services to organizations across Canada, in the United States, and around the globe. Morneau Shepell is a publicly-traded company on the Toronto Stock Exchange (TSX: MSI).

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