

ABSENTEEISM AND ITS FINANCIAL IMPLICATIONS

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Abstract: Absenteeism, defined as a pattern of absence from a duty or obligation, is a widespread phenomenon. The paper presents various definitions used in common and academic parlance. The paper also delves into the causes and consequences of this phenomenon with the financial aspect this phenomenon described in detail. Paradoxically, published literature also indicates certain benefits derived from the employee absenteeism, which has been briefly pointed out in this paper. Several absenteeism costing models have been conceived which describe the financial burden of absenteeism. This article describes various costing models of absenteeism while discussing the “individual behavioral model” in greater detail. The model has with a practical approach to measuring the cost of absenteeism.

Keywords: *Absenteeism, Presenteeism, Cost of absenteeism, Models of absenteeism.*

Article Received: 15 May 2022

Revised: 10 June 2022

Accepted: 25 June 2022

Introduction

Workplace attendance and its converse absenteeism are conglomerates of multifaceted issues that involve the interaction and subtle transaction between the employee, employer, organization, social, societal, and economic factors. Absenteeism is defined as not being able to report for or remain at work as scheduled, regardless of the reason. The use of the words as scheduled is significant, for this automatically excludes vacation, personal leave, jury-duty leave, and the like.

Workplace attendance and absenteeism are of core relevance to the industrialized society. This predominantly appears to alter those in as a cost of production directly, yet the productivity that is lost also affects the whole economy and society directly or otherwise. It amplifies the price or may depreciate the quality, of public and private goods and services. At the workplace/organization, it may place an added load on employers and employees, especially at most critical times, or during critical processes.

With the drastic change in the business environment, every area of economic performance is now of great importance to

achieve local and international competitiveness. Attendance of employees at work, productivity, and commitment towards the organization have become important components of human resource performance. This is altering, naturally, the view that not much, be done to influence the costs of absenteeism, and some organizations are already making practical efforts in improving work attendance rates.

The changed industrial environment implies that new opportunities may emerge, through reformation and enterprise bargaining, to change conditions of employment to meet the needs of employers and employees in a better way. These can include managing of workplace absences and sick leave. Work attendance and absenteeism are linked to several factors, the main factor being disease-related incapacity.

Attendance at work is broadly considered to give a good idea about the “complicated person-work-enterprise-society relationship”. These factors convey distinct variations between societies, industries, workplaces, work groups, and individuals. However, it is to be noted that not every factor has a remarkable impact in every case.

In materiality, a handful of situations and interpretations are uncomplicated. This complexity would make it a strenuous problem to understand and manage and should make one caution against generalization. However, there are some complex concepts and main principles which can help employers, workers, and their organization to understand the causes and administer the solutions.

Absenteeism Defined

Swarnalatha C. and Sureshkrishna G. S. G. [1] define absenteeism as the "failure to report to work" and advocate that the workers who regularly or routinely do not report to work are a menace to the organization and are the reason to turn the workplace into what might be termed as "deviant workplace". Senel B. and Senel M. [2] take a more measured approach, defining absenteeism as the "lack of presence of an employee for planned work. They explain that when an employee decides to not attend work for a reason apart from illness or any other certified reasons is known as absenteeism.

The above definitions of absenteeism do not include the cases where the absences from work are pre-planned or approved beforehand and which do not have as many negative outcomes as in the case of those absences that are taken without informing.

When absenteeism from work is planned it allows managers to make the necessary arrangements and implement them beforehand. It is important to discriminate between authorized absences (which may be either planned or managed) and the ones that are not planned. The unplanned absences are unpredictable (both in case of length of duration and the employee involved), cause disruption and are costly. This type of absenteeism, universally objected, is often referred to as 'culpable absenteeism', reflecting the culpability of an absent employee without informing the authorities for reasons that are well within his/her control.

The following leave category hierarchy (Fig 1) summarizes the relationship between various types of absence.

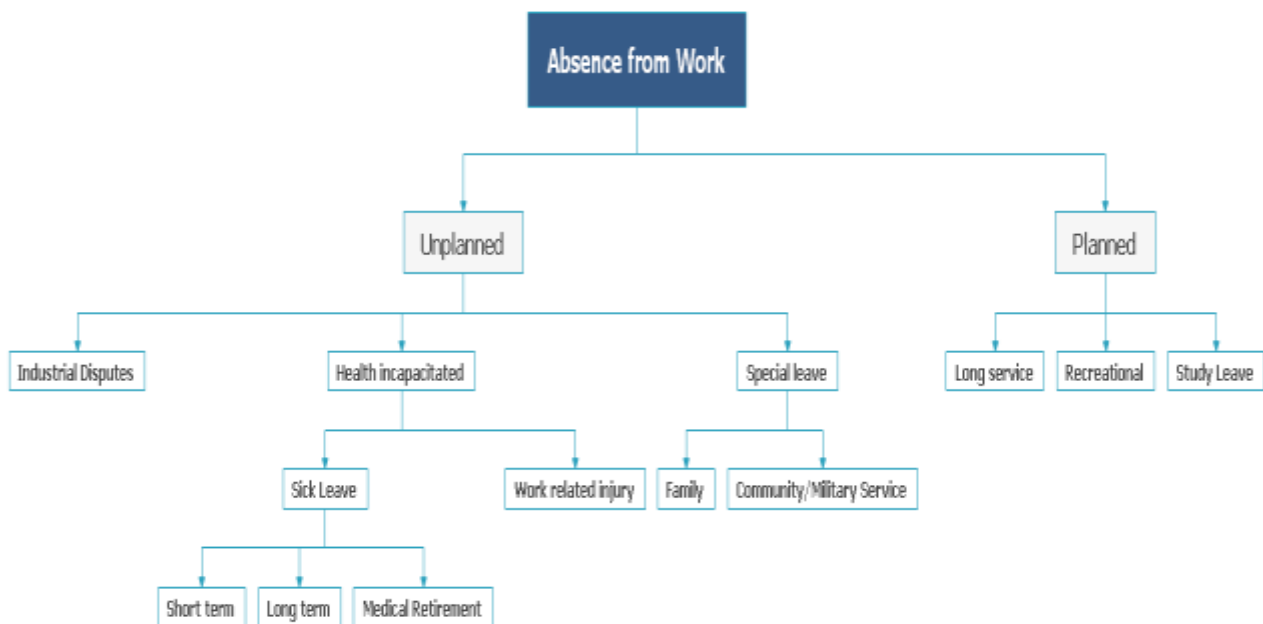


Fig. 1: Hierarchy of absence (RACCP, 1999)

Causes of Absenteeism

A substantial amount of investigation has been carried out on the causes of workplace attendance and absenteeism. Most of these investigations are about inspecting the relationship between various factors and individual or group behavior. In the following

pages the associations and determinants as individual, workplace, and societal factors shall be described.

Sickness absence is the inability of the worker to attend work because of some illness or injury. However, a notable

proportion of leave taken is related to factors other than health issues. To explore this distinction, researchers have attempted to define and investigate two types of absenteeism: involuntary absence (unavoidable) and voluntary absence (avoidable). The use of the terms like voluntary and involuntary absence is vague as they have often been interpreted in a concrete fashion

suggesting that absences or attendance is a function of freely expressed choice. They represent constructs, which describe the subtle interplay between disease, disability, social, personal, and workplace factors (Figure 2) which cannot be readily dichotomized. None of these factors is univocal.



Fig 2: Causes of Absenteeism (RACCP, 1999)

Models of Absenteeism

The research on absenteeism has its beginnings during the Second World War. But the efforts that were put in the field level without any great theoretical purport. The true beginnings of the research in the case of absenteeism began in the 70's and '80's wherein the studies were conducted that examined the relationship between absenteeism and employee satisfaction [3]. A similar one done by Mowday R.T., Porter L.W. and Steers R.M [4] wherein the relationship between absenteeism and low commitment was researched. Further studies have focused on the relationship between absenteeism and other non-work alternatives [5]. He argues that the absence from work can be construed as a function of two separate motivations that include (a) absence of reward at work and (b) being attracted to other non-work choices.

Winkler D.R. [6] studied the pattern of absenteeism in elementary school teachers. The model he employed described absence in terms of a decision. This decision can be analyzed in terms of the work-life balance model wherein the employees seek to

increase utility against a constrained budget. Which may be alternatively described in a way that the employees seek to increase happiness within their given financial constraints.

Dalton D.R. and Perry J.L. [7] studied absenteeism and sick leave policy in the case of bus drivers working in twenty-nine different companies. His findings were in line with Winkler D.R. [6] where income and substitution effects were found.

Ajzen I. and Fishbein M., [8] conceived a reasoned action model which argues that the employees utilize the given information in a rational way to make a behavioral decision. This model further suggests that this decision-making is hierarchical and that it has two aspects viz; an attitude towards carrying out the given action (in this case absenteeism) and secondly having a subjective norm vis a vis this action.

Measurement of Absenteeism

The search for metrics to measure absenteeism has been the most critical part of the problem of appropriating absenteeism. Gaudet F.J. [9] has done pioneering work in

this field wherein he described 41 different parameters that have been used in the past. Behrend H. [10] was the first to come up with multiple indices to tackle the measurement of absenteeism. Huse E. F. and Taylor E.K. [11] described the measurement of absenteeism on basis of four parameters viz; frequency of absences, length of absences, number of single-day absences, and number of absences of three days or longer than that. Chadwick-

Jones J.K., Brown C.A., Nicholson N., and Sheppard C. [12] examine 7 parameters to describe the nature of absenteeism viz; several absences, frequency of single day absences, other reasons, the severity of the absence, total time period in absences, lateness, and number of Mondays missed. A complete description of the measurement methods is tabulated as follows:

Table 1: Parameters for measurement of Absenteeism

S. NO	Investigator	Parameter used
1	Turner W.W.[13]	Frequency
2	Huse E. F. and Taylor E.K. [11]	Frequency, Attitude, Severity and Health
3	Chadwick-Jones J.K., Brown C.A., Nicholson N., and Sheppard C. [12]	Number, Attitude, Total time, Lateness, Number of Mondays
4	Farr J.L., O'Leary B.S. and Bartlett C.[14]	Frequency, Total Time
5	Ronan W.[15]	Total time lost
6	Latham G.P. and Pursell E.D. [16]	Frequency
7	Schultz H., "Induction and staffing decisions.[17]	Frequency
8	RACCP: Royal Australasian College of Physicians [18]	Frequency, Total time, and Severity

Consequences of Absence from Workplace

The Confederation of British Industry (CBI) asserts that the result of absenteeism among manual workers hinders production and results in inferior quality levels, workflow disruption, low morale, and general discontent, all of which lead to decreased productivity. The literature points out that substituting an absent worker with a less skilled worker, either from within the organization or outside, leads to a decline in productivity, and emphasizes corrective action and a rise in workplace accidents among other negative impacts [19].

However, it is pointed out that absenteeism may have negative and positive outcomes for an organization. On the negative front, the impact of lost production and a reduction in work quality is cited; on the positive front, the benefit that may be derived from an

exhausted employee's time off/absence when the nature of their work necessitates mental alertness is also alluded to [20]. This view is also backed, currently whereby that the impact is construed to be dependent on the constituency taken under consideration [21].

Though Coughlan A. [22] does not mention any positive outcomes associated with absenteeism, she also agrees that the impacts of employees' absence are multifaceted, emphasizing that they are not restricted to production losses or inferior outputs – which may ultimately translate into a potential loss of clients-but also have a direct implication on the fellow workers and the seniors of the absentee [22].

Based on the interview carried out by McHugh M. [23] he concluded that everybody from colleagues to the manager of the absentee employee is directly affected by every single incidence of the absence.

Furthermore, the research also pointed out that the co-workers of the absentee experienced high stress and a greater workload for every instance of the absence.

In addition to this, when the absentee employee returns to work he/she experiences an increased workload and therefore an increase in stress levels which further makes the employee susceptible to more absences in the future [23]. Similar studies have been undertaken in the context of absenteeism in school environments and the evidence has corroborated similar aforementioned conclusions.

An instance of this is found in the study of Brown S.L. and Arnell A.T., [24] who describe the experiences of the colleagues of the absentee teacher that they felt overburdened as they had to stand in for the teachers who were absent. This problem is further exacerbated by the fact that the substitute teachers do not measure up to the performance of the absentee teacher and as a consequence results in lower motivation and morale in the students. Taking into consideration the above information, it is obvious that absenteeism seriously affects the individual and his or her colleagues, management, the organization as a whole, and even the community at large.

Benefits

Being away from work for “legitimate” reasons can be advantageous for the organization and the individual. The provisions related to the allowance of absence serve the purpose of fulfilling the legal right of the employee to not attend work in case his/her physical or psychological faculties are not up to the task or are diminished.

This reduces the risk of injury not only to themselves but also possibly to others and permits a productive workforce to function. Employees who fail to take time off aptly may represent a health and safety hazard. Taking sick leave may act as a safety valve mitigating personal, external, and workplace factors. Workers may utilize sporadic sick leave for workplace conditions, particularly “cumulative trauma disorders” or workplace stress.

In a survey of Commonwealth Government workers, 49% of interviewed staff reported that they experienced an episode of illness or

injury that had some association (in their view) with work. Only one of the staff had lodged a claim, with the majority dealing with such problems through accessing sick pay if leave was required. There are also genuine reasons for employees to be absent unrelated to personal illness. This may include emergency childcare for children; care for sick children; care for adult relatives or the performance of important personal business.

Potential benefits of work absence include:

- Exemption from work because of legitimate reasons
- Reduces the risk of injury
- Maximizes the rate of recovery
- Reduces the spread of infectious disease
- Maintains productive workforce
- Maintains the safety of the workplace

Models of Cost of Absenteeism

There are several models of costing that are employed in case of absenteeism. Major among them is the evidence model propounded by [25]. It is further improvised upon by [26]. The expectancy model is based on the psychological factors and theorizes that the psychological factors and the implied effects in the behavior are linearly related and therefore the shapes of the distributions of both are similar. The behavioral costing approach proposed by Mirvis P.H. and Lawler E.E. [27] and further improved by Cascio W.F. [28] focuses on an individual employee and the cost that is incurred on him in case of absence. It does not consider the organizational investment or the impact on the employee. Although a simplistic model it is an intuitive and objective model to work with. Following is the description of the calculation of the cost of absenteeism using model of [28].

Calculation of the Cost of Absenteeism

Four categories of costs are associated with employee absenteeism [28] These categories are as follows:

- Costs associated with absentees themselves (employee benefits and, if they are paid, wages)
- Costs associated with managing absenteeism problems (costs associated

with supervisors' time spent dealing with operational issues caused by the failure of one or more employees to come to work)

- The costs of substitute employees (for example, costs of overtime to other employees or costs of temporary help)
- The costs of reduced quantity or quality of work outputs (for example, costs of machine downtime, reduced productivity of

replacement workers, increased scrap and reworks poor customer service)

- The logical framework of the cost of absenteeism or how absenteeism creates costs is described in the following figure:

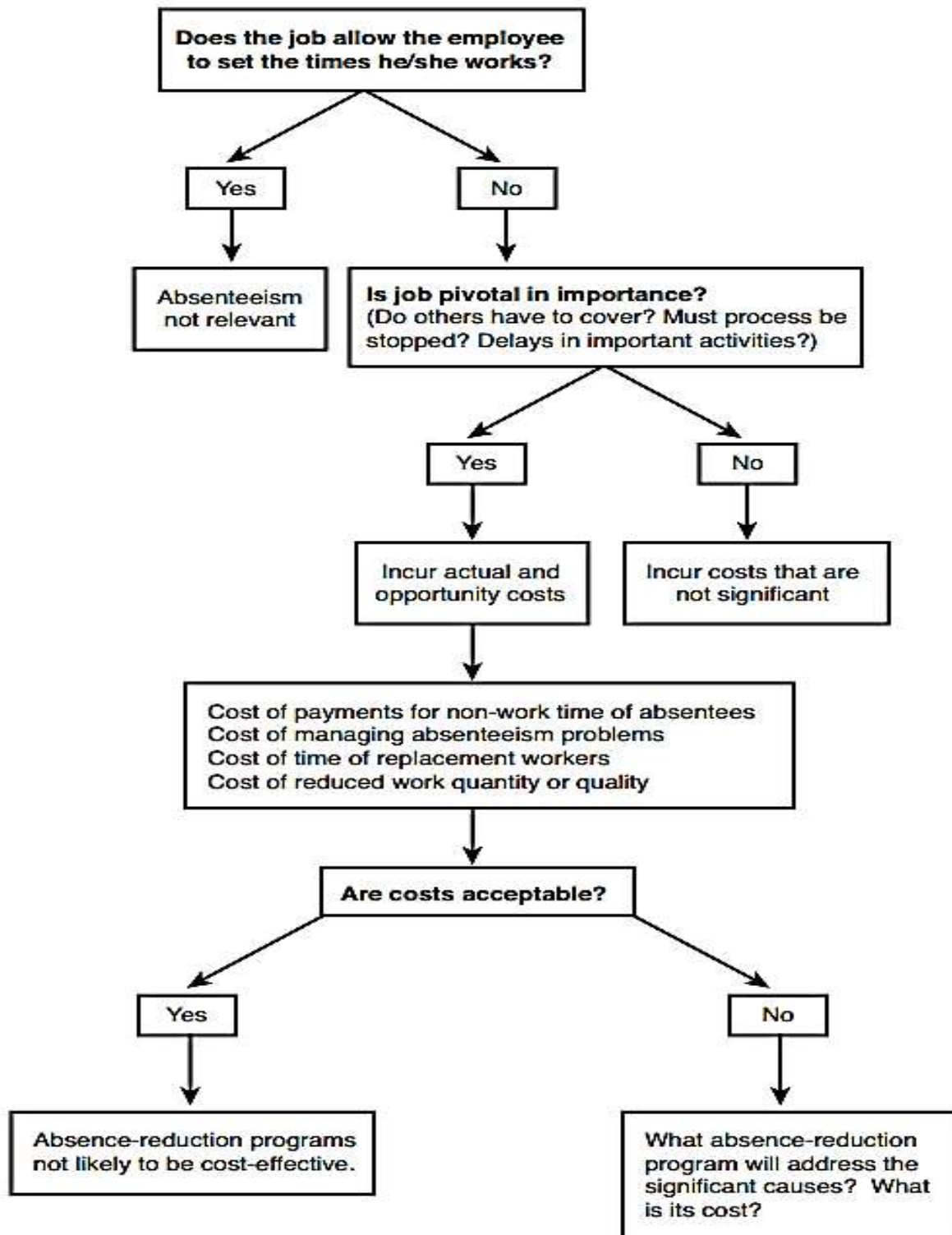
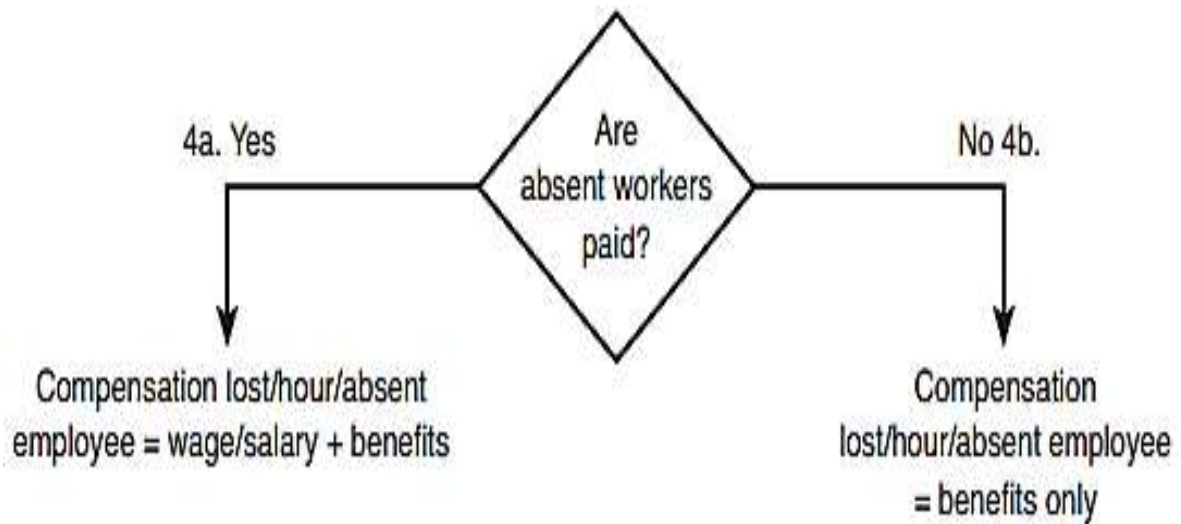


Fig 3: How Absenteeism creates costs [28]

The overall approach for calculating the cost of absence has been described by [28] It can be described in the following 12 points:

- Calculate the sum total time (in hours) wasted due to absenteeism for a given period.

- Calculate the weighted avg. of the given employee i.e. Salary per unit hour per absent employee.
- Calculate the cost of the employee as benefits per unit hour per absent employee.



- Calculate the total wages which were lost in case of the absentee.
- Calculate the supervisory time lost to absentee.
- Make a comparison of the salary and benefits
- Evaluate the wages lost to managing the problem due to absenteeism.
- Calculate how much wages the substitute employee will incur.
- Estimation of cost of quality due to absenteeism.
- Add 5, 8, 9, and 10.
- Determine the total cost.

The total cost of the absence accordingly runs into four heads

- **Cost of Payments Incurred for the Time when the Absentee was not Working:** This also includes leaves due to injuries, health problems, short-term issues, and leaves that are not more than 3 days.
- **Cost of Payments Incurred in Having to Waste the Supervisory Time taken to Manage the Absence:** There will be a great time spent by the supervisors in managing the absence and thus this can be interpreted as the cost incurred.

- **Cost of Substitute Workers:** To manage the absence a substitute worker is to work in place of the absentee. This implies that the facility has to employ a workforce greater than required. This extra cost incurred is to be interpreted as a cost for substitute worker.
- **Cost of reduced Quality and Quantity:** According to Mercer (2008) this heading accounts for 44 percent of the total absentee costs incurred in case of unplanned absence

CONCLUSION

Absenteeism as a phenomenon is as old as work. It, besides being disruptive to the quality and schedule of work, has a manifest cost stamp. A number of studies that have been undertaken to study this phenomenon or its mitigation point out to the efficacy of the cost models. In lieu of which number of studies have been undertaken to determine the costing patterns of absenteeism. One may infer from these patterns/models that absenteeism is not a monolith but rather a highly nuanced and layered concept. The present study has sought to understand absenteeism in terms of cost using an individual's behavioral model wherein different the total cost is deemed to be a function of other sub-costs.

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