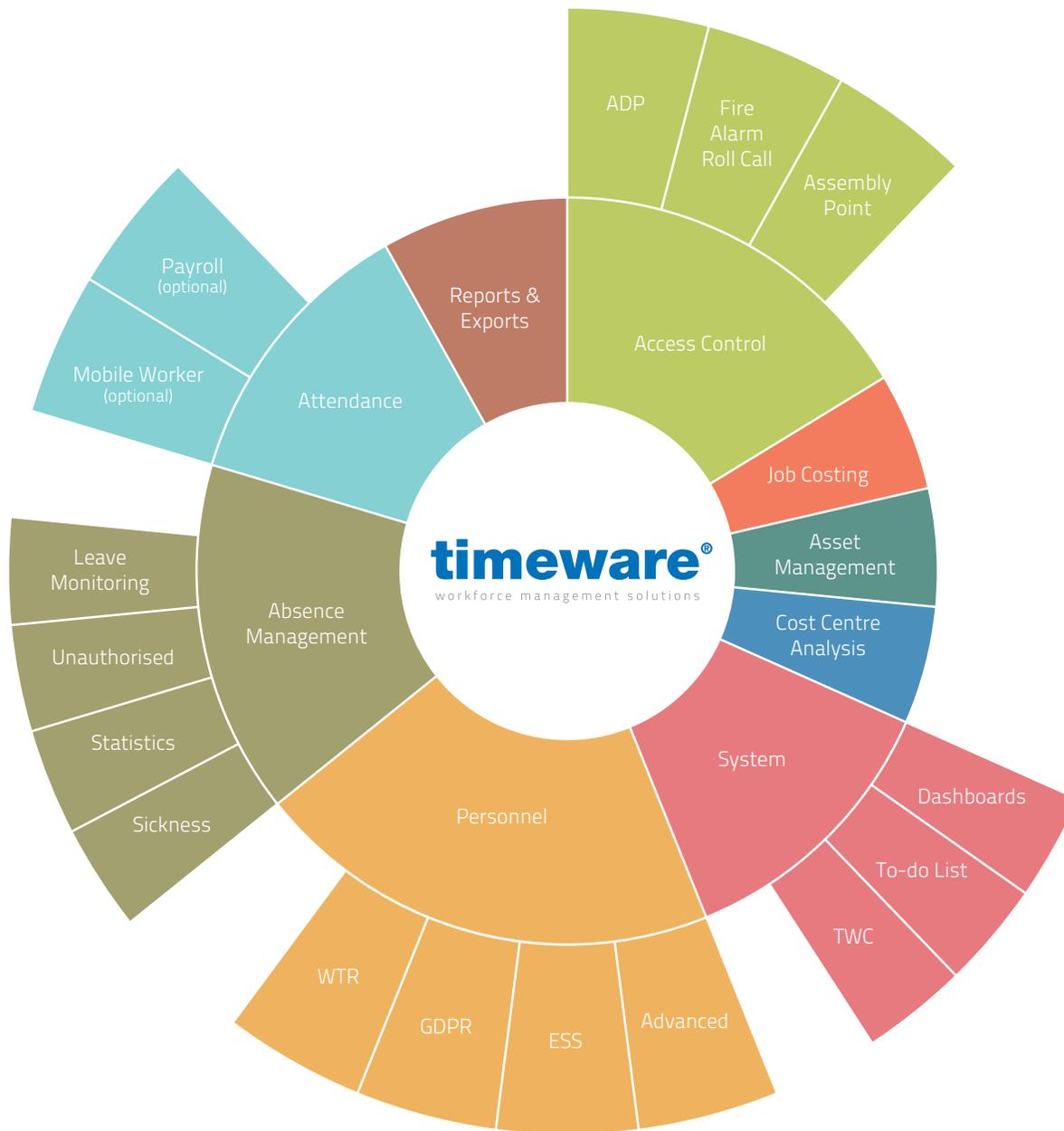


timeware® (UK) Ltd.
Workforce Management Study:



Absenteeism,
productivity and
the bottom line...

timeware®
Professional **2020**
workforce management solutions

Executive summary

- One of the UK's leading developers of workforce management solutions, timeware®, has commissioned its own research to investigate absenteeism and productivity in the UK workplace and compared it to other data from reputable sources to gain a bigger picture of the situation.
- The CIPD Absence Management Annual Survey Report found that in 2014 there was a fall in absence levels by a day per employee, from 7.6 days in 2013 to 6.6 days in 2014.
- While our research has revealed that the majority of employees (40%) claimed that they didn't take any absences in 2014, which could highlight that some employees don't feel accountable for their absences or that perhaps absences are soon forgotten.
- Our research also revealed that 46% of respondents said that their organisation did not monitor the cost of employee absence, despite the large costs associated with it.
- The Office for National Statistics looked at sickness absence in 2013 and found that minor illnesses were the most common reason given for sickness absence but more days were lost to back, neck and muscle pain than any other cause.
- Our research also found that in 2014, 45% of people said they didn't go into work because they were sick. Other reasons included childcare issues (20%), personal problems (8%), and even hangovers (7%).
- Remarkably, 57% of respondents said they have rang in work saying they were sick, despite not being ill in the past three years.
- Our research also found that the biggest reason for people being late for work in 2014 was due to transport issues (43%).
- Also, despite research, such as that by ACAS, showing that workplace absenteeism was a major problem costing the economy £17 billion a year, only 28% of respondents in our survey thought absenteeism was a problem in their workplace.
- Interestingly our research revealed that employees would be less likely to be absent from work if their employers offered flexible hours (42%) and the chance to work from home (21%).
- And while the majority of respondents found that time monitoring systems were too invasive (35%), they recognised that it ensures people are doing their job effectively (29%).
- It's obvious from our investigations then that absenteeism is a very real issue for businesses, although it's by no means insurmountable.
- What the findings show is that businesses have a task to do in implementing effective strategies to deal with absenteeism if they want to see rates reduce, productivity and morale improve, and importantly increases to the bottom line.



57% of respondents said they have rang in work saying they were sick, despite not being ill in the past 3 years

Introduction

Hello and welcome to timeware's® Workforce Management Study that will look specifically into absenteeism and productivity.

My name is Simon Birchall and I'm the managing director of timeware®, one of the UK's leading manufacturers of workforce management solutions and time management systems. We develop professional packages to provide businesses, large or small, with a complete workforce management solution to help tackle everyday problems such as absence in the workplace, recruitment, employee attendance, security and payroll.

Our timeware® Professional 2015 package includes 10 software modules including personnel, absence management, employee attendance, access control, cost centre analysis, fire alarm roll call, assembly point, reports, Employee Self Service (ESS) and timeware® Web Client (TWC).

What is workforce management?

Workforce management encompasses all of the processes that an organisation needs to implement in order to maintain a productive workforce. In many industries, it involves matching the right employees with the right skills to the right tasks over time, quantifying the amount of time and effort needed to accomplish particular jobs on a day-to-day or hour-to-hour basis.

Specifically, workforce management includes improving processes such as time and attendance, absence and leave management, payroll and benefits, labour budgeting, forecasting and scheduling, and performance management, to ensure a business is running as efficiently as possible.

Sometimes it can be a difficult to juggle between the demands of customers, employees, management and other stakeholders but with an effective system in place that helps to create a positive working environment for all involved, it can lead to fantastic customer service, motivated employees and efficient operations.

Implementing an effective workforce management system that helps businesses to manage a variety of HR and staffing issues can have huge benefits. This is because not only does it make the process simpler and straightforward for managers, employees are also clear about what is expected of them. As a result, organisations are likely to see increases in efficiency, reduced costs and better employee morale and engagement, while employees are more likely to feel motivated, empowered and clear about their role.



Why did we write this report?

Workforce management is a broad topic but one that organisations need to have a vested interest in. Recently we've been talking to a lot of organisations about workforce management, and it seems that while some may have certain procedures already in place, not all have a complete and effective solution that addresses the whole picture.

When implementing workforce management solutions for our customers, absence management is a key issue that crops up with businesses time and time again. As such, we decided to commission our own research to get a better insight into absence levels, employee attitudes to taking unplanned absences, the main reasons for absenteeism and lateness, and what businesses should do to address absenteeism and improve productivity whilst ensuring a happy workforce. It is hoped businesses will be encouraged to use the statistics to inform their HR policy and strategy as our data is just the beginning to help improve people performance.

Who is this report for?

We expect that this report will be particularly relevant to business leaders and HR professionals who are interested in understanding how workforce management might fit in with their plans. Indeed, we're seeing that companies of all sizes and backgrounds are already starting to look for solutions to help with this.

We want to help the business and HR community understand what effective workforce management is capable of, how it can improve absenteeism and productivity levels, and what makes employees tick.

timeware's[®] absenteeism, productivity and bottom line study

At timeware[®] UK, we're big advocates of market research so we decided to start our investigations by surveying UK employees¹ to get a better insight into absenteeism and productivity in the workplace. Our aim was to answer the following questions:

- What are the rates and costs of employee absence?
- What are the causes of employee absenteeism and lateness?
- What do employees think about absenteeism?
- How can businesses reduce absenteeism and improve productivity and the bottom line?

We round off the report by reviewing the key findings and considering what lessons can be drawn from them.



46% of respondents said that their organisation did not monitor the cost of employee absence

What are the rates and costs of employee absence?

It goes without saying that people make businesses successful, so when staff are absent it can have a huge impact on an organisation. Whether the absence is planned, unforeseen, unauthorised or long-term, it carries with it costs, risks and productivity implications.

Organisations in the UK suffer enormous costs as a result of employee absenteeism, and absence continues to be a key concern for all industry sectors. This includes the cost of paying absent employees as well indirect costs, such as lost productivity and the hiring of replacement workers, for example.

So what are the current rates of absence in the UK and how much is it actually costing businesses?

The rates of absence levels and direct costs of absence are often recorded and reported in annual surveys as we explore below, but the indirect costs can be harder to gauge even though they often exceed the direct costs significantly. The employers we speak to are often unaware of how much absence is actually costing their own organisations. Even worse, they often do not record absence properly in their business, making it difficult to identify and address the underlying cause.

What does independent research show?

The majority of evidence from last year pointed to a decrease in absence levels in the UK, but there does seem to be considerable variation across different sectors and organisations. The CIPD Absence Management Annual Survey Report 2014, for instance, found that in 2014 there was a fall in

absence levels by a day per employee, from 7.6 days in 2013 to 6.6 days in 2014. Public sector absence had fallen by almost a day, although at 7.9 days per employee, this figure is still decidedly higher than in the private sector at 5.5 days. A key factor behind this fall in absence levels is that there is an increased focus on attendance strategies.

In terms of cost, ACAS claims absence costs the UK economy £17 billion a year in work falling behind schedule, damage to customer service and company reputation, reduced morale among colleagues trying to cover, and hiring temporary staff. And there's no shortage of research suggesting that sick days have a negative effect on the economy. To give just a couple of examples, according to the Department for Work and Pensions, more than 130 million days are still being lost to sickness absence every year in Great Britain and working-age ill health costs the national economy £100 billion a year. It states that employers face a yearly bill of around £9 billion for sick pay and associated costs, with individuals missing out on £4 billion a year in lost earnings. While research by PwC found that sick days are costing UK business nearly £29bn a year as UK workers take more than four times as many days off work due to sickness as their global counterparts.

The CIPD Absence Management Annual Survey Report 2014 also found that just under two-fifths of organisations report they monitor the cost



of employee absence. The public sector and larger organisations are most likely to do so. The overall median cost of absence per employee (£609) has changed little over the last few years. As in previous years the median absence cost is highest in the public sector and lowest in the private sector.

What does our research show?

The question that we set out to ask our respondents was how many days were they absent from work in 2014 (excluding holidays), and whether their organisation actually monitors the cost of employee absence?

Here is what they told us:

- The majority of respondents 40% said they hadn't been absent from work at all in 2014
- 22% said they'd been absent for one to two days
- 15% said they had been absent for two to three days
- 6% had been off for three to four days
- 13% took between four to 10 days off work in 2014
- 4% said they had been absent for more than 10 days

If we compare this to other independent research that asked businesses about their absence levels, the differences in days are vast. While businesses are encouraged to accurately record their employees' absence levels, our findings could suggest that some employees may be unwilling to admit when they have taken an unplanned absence or sick day. However, it would be incorrect, to assume this is the case for all.

We also asked respondents whether their organisation monitored the cost of employee absence.

- 34% said yes
- 46% said no
- 20% said they didn't know

This shows that while businesses might be recording the number of absences in the workplace, they aren't actively measuring the impact of employee absenteeism, despite the large costs associated with it.

What are the causes of employee absenteeism and lateness?

Employees are bound to miss work from time to time, for a vast variety of reasons. However, while some are genuine reasons to be off work, others are not. In addition, staff may also arrive in work later than they are expected, leave early, or take longer lunches and breaks than permitted, which all can have a direct impact on productivity, business costs and customer satisfaction.

What does independent research show?

There have been several interesting studies into sickness absence, as being ill generally seems to be the main reason why people have unplanned time off work.

The Office for National Statistics looked at sickness absence in 2013 and found that minor illnesses were the most common reason given for sickness absence but more days were lost to back, neck and muscle pain than any other cause.

In a similar vein, The Employee Benefits Healthcare research 2013, which surveyed 376 HR and benefits professionals, found that minor ailments, flu and colds were the most common cause of sickness absence in 2013. Musculoskeletal ailments were in second place, followed by personal mental health issues, such as depression and anxiety.

What the studies tend to show is that minor illness remains the most common cause of short-term absence for the vast majority of organisations, while acute medical conditions, stress, musculoskeletal injuries, mental ill health and back pain are most commonly responsible for long-term absence.

What does our research show?

While there has already been a substantial amount of research into sick days, we were curious to look at unplanned absences more widely to see the various reasons why people take unplanned days off work.

So we asked our respondents what the reasons were for their unplanned absences in 2014. Below are the responses:

- 45% said they didn't go into work because they were sick
- 20% said they were off because of childcare issues
- 17% said they couldn't go into work because of a relationship issue
- 11% said they took time off because they had a job interview
- 8% said they were unable to attend work due to personal problems
- 8% said they were avoiding a difficult situation at work
- 7% said that they took time off because of a hangover
- 5% said they had to sort out a family issue
- 4% said because office morale is low



- 3% were dissatisfied with their job
- 2% said they couldn't be bothered going in to work
- 1% said that they had to take time off because of travel issues

We also asked respondents if they had ever rang in sick in the past three years, despite not being ill.

- 57% said yes
- 43% said no

Unless a company requires a written excuse from a doctor, for example, it can be difficult to determine if an employee is actually sick when missing work and could be why many people use this as an excuse when taking time off work. 57% is a staggering statistic, so more work clearly needs to be done to address this issue. It also highlights that absenteeism isn't an effective way for employers to measure the true state of staff health and wellbeing in their workplace if people are being dishonest about their health.

In addition, we asked our respondents what were their reasons for being late for work in 2014:

- 43% said transport issues
- 30% blamed traffic for making them late
- 22% said they had overslept
- 18% said family issues had caused a delay in getting to work on time
- 13% suggested childcare issues had made them late
- 13% said they were late because they have a lack of motivation for the job
- 9% said appointments
- 4% said they were late because they don't like their boss
- 1% said it's because they sometimes dread going into work

What do employees think about absenteeism?

To business leaders, it's clear why absence management should be a priority for them. However, for employees it might not hold such a precedent. As our research, highlighted above, found that many staff ring in sick despite not being ill, we wanted to find out what employees' views on absenteeism are, and what they think would help to reduce unplanned absences.

What does our research show?

We asked our respondents if they thought absenteeism was a problem in their workplace.

- 12% said yes
- 88% said no

Interestingly the majority of people we surveyed did not think absenteeism was a problem, despite statistics highlighting that absenteeism is a problem for many businesses and is costing organisations, as well as the economy, a substantial amount of money.

We also asked our respondents what they thought would help to reduce unplanned absences at work. Below are the findings:

- 42% said flexible hours
- 21% said the chance to work from home
- 15% said incentives such as bonuses
- 12% said flexible holidays

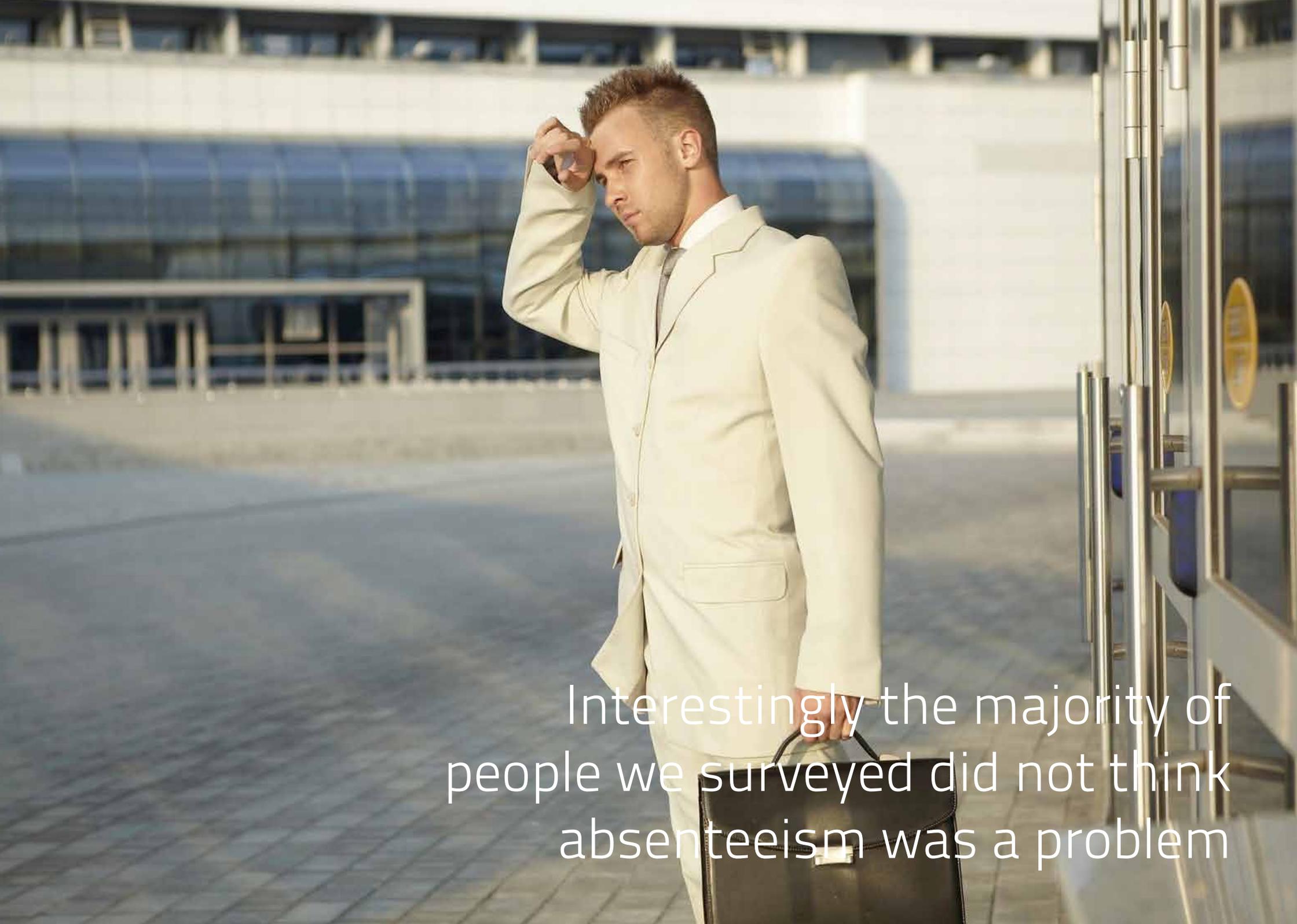
- 29% said work-life balance
- 19% said benefits package

We also asked them what they thought about employee time-monitoring such as time recording systems.

- 35% said it was too invasive
- 29% said it ensures people are doing their job effectively
- 25% said it is great from improving productivity
- 11% said it is annoying

What is interesting here is that while the majority of respondents thought time monitoring systems were too invasive, they also recognised the benefits of such workforce management tools.

So what perhaps can be learnt here is that businesses need to better communicate the benefits of these systems to their employees, and how they can aid in improving productivity levels and the working environment, so they are less likely to be put off with them monitoring their activity.



Interestingly the majority of people we surveyed did not think absenteeism was a problem

How can businesses reduce absenteeism and improve productivity and the bottom line?

It's obvious from our investigations that absenteeism is a very real issue for businesses, although it's by no means insurmountable. While occasional absences from work are inevitable it is the habitual or extended absences that are most challenging to employers in terms of cost and productivity, and can have the greatest negative effect on other staff members. It can be a tough problem to tackle, because there are various reasons for being absent from work and it can be challenging for employers to effectively monitor, control and reduce absenteeism.

Taking our findings into account we will now look into what lessons can be drawn and will provide a number of actionable insights to help businesses.

Actionable Insights

To attain substantial reductions in the additional costs caused by absence in the workplace, businesses must be able to reduce the rate of absenteeism, and the consequent effect that absenteeism has on the business. So what can they do to achieve this? Below we give a number of actionable insights that businesses should consider and implement if they want to effectively tackle absenteeism in the workplace.

Identify the types and rates of absence occurring

In order to understand the root causes of absence in the workplace, the first step to take is to identify the types of absence your company is facing, the scale of the issue and any patterns that keep occurring. This can be achieved by accurately and efficiently tracking absenteeism rates and patterns on a regular basis. There are a number of ways to help businesses gain a better understanding of absenteeism but it can be argued that one of the simplest yet effective measures is to invest in absence management technology such as timeware's® absence management system. This type of software

will help to identify absence rates and trends and can track an employee's whereabouts, highlighting planned and unplanned absences, to allow managers to efficiently manage and control any issues before they become a serious problem. The most effective workforce management systems can also help to calculate working hours and holiday entitlement accurately to ensure all staff are treated fairly. It can even help managers to monitor the cost of absenteeism, which our research highlights that more businesses need to do.

Ensure formal policies are implemented and communicated

As our research highlighted, a staggering 60% of employees rang in sick in 2014 even though they were not ill. To help combat this, employers should take a proactive approach and ensure that they have formal policies and procedures in place to deal with employee absence. These are particularly useful for organisations that have a large number of staff because it can be more difficult to control sickness or absence when there are larger amounts of people to think about. Being organised is critical when it comes to trying to manage absenteeism. Employees need to know that they work for an organised and well-structured company with the correct, legal procedures in place. So not only should the policies support the organisation's values, they should also explain employees' rights and obligations, the processes when



taking time off from work, as well as address discipline problems such as failing to follow the rules, lateness and poor time keeping.

Having clear attendance and absence policies to follow will help employees understand what standards are expected of them, as well as ensure that managers treat employees equally and will deal with these types of issues with a fair and consistent approach.

When employees know that their employer is taking absence seriously and that there are fair and clear rules and procedures in place to address absenteeism, absence levels should begin to decrease, especially because staff know their attendance is being monitored and any employees who appear to be abusing the system will be investigated further which may lead to disciplinary action.

Ascertain the reasons of absence with effective strategies

As a business leader or HR professional it's important to understand the reasons for an absence in order to deal with it properly. The knowledge attained from effective absence reporting and measurement can help managers to intervene early, which is known to dramatically cut absenteeism

levels, improve return to work rates, and therefore positively affect the bottom line. For example, if someone is taking time off work because they are dissatisfied with their job, or they have problems at home, managers armed with this knowledge are able to come up with solutions and implement effective strategies to address the issue with the staff member and hopefully prevent it from occurring again if the absence is due to a workplace problem. On the other hand if someone is ill, managers can make the judgement when it is sensible for the person to return back to work - as it's important to prevent other staff from falling ill too. Certain illnesses or injuries may benefit from some form of rehabilitation intervention and the key is ensuring that those employees who need support services can access them quickly.

It's important to be as understanding as possible with your employees. As our research highlights, people can encounter a number of difficulties outside of a working environment so it's vital to understand what's going on before pointing the finger. Mental health issues such as stress and anxiety are becoming more and more evident as causes of absenteeism, but are not always overtly apparent to an employer. Therefore, it's important for businesses to make sure employees feel comfortable talking to managers or HR about such problems.



Back to work interviews are extremely beneficial as they give you the chance to sit down with the employee and discuss the reasons for the absence and find solutions if there is a problem.

Staff surveys (anonymous or not) can also be useful if it is made clear that their aim is to improve the working environment. If staff are invested in the company and want it to change for the better, then they are likely to provide information on reasons for absence.

Managers and senior staff should also be trained up to be able to deal with issues effectively, and be capable of developing trustworthy and respectful relationships with their staff to enable open conversations and support in relation to absence and its causes.

Consider strategies to discourage absenteeism

In an effort to reduce absenteeism, there are a number of effective strategies that can be put in place. For instance, offering flexible working arrangements could prevent employees from taking unplanned absence. Most employees are likely to have other priorities outside of work, such as family commitments, and as highlighted in our report many would appreciate fluid work schedules that allow them to vary their work around certain obligations.

As our research shows 20% of people take time off work to look after children so it may be effective for employers to offer opportunities to work flexibly. This may include schemes such as 'flexi time' which allow staff members to vary their work schedule and choose the hours they work, with a few hours a day being core hours – such as between 11:00am and 3:00pm.

With cloud computing and video messaging services such as Skype now available, employers may also consider offering employees the chance to work remotely from home as they can be in constant contact with colleagues and are likely to have remote access to all of the files needed to complete their jobs. In the current digital age, this is unlikely to affect the company's productivity, but in actual fact is more likely to improve an employee's efficiency as they can work at a time that best suits them. Remote working can also end the long and expensive commutes that some employees may have to endure and prevent people from being late because of transport issues, which was cited as the main cause of lateness in our study. In addition, offering incentives and rewards for staff members who have shown good attendance and performance levels will help with absenteeism. For instance, offering extra holidays or rewards for exceptional attendance records can help to motivate and engage employees and as highlighted by our research employees agree that it would prevent absenteeism.



Create a supportive and positive working environment

A pro-active way to reduce absence is to look at prevention. This can be achieved by offering a positive working environment and a range of employee benefits. A business' culture is one of the most important things to consider when attempting to engage staff and reduce absenteeism. It can be difficult to make everyone happy all of the time, however trying to get that balance right will prove to employees that you're serious about their wellbeing. Developing a mission statement and a set of values for your business will help to create a unified working environment. In addition, training up managers so they have the communication and support skills needed to effectively deal with any issues early on, will help.

The logic with these approaches identified above is that healthier, happier employees will be more able and motivated to go to work each day, resulting in increased productivity and higher morale for the individual workers as well as the entire team. Although some of these strategies may cost to implement and maintain, in the long term they will no doubt have a positive effect on an organisation's bottom line – and who can complain with that?



Conclusion

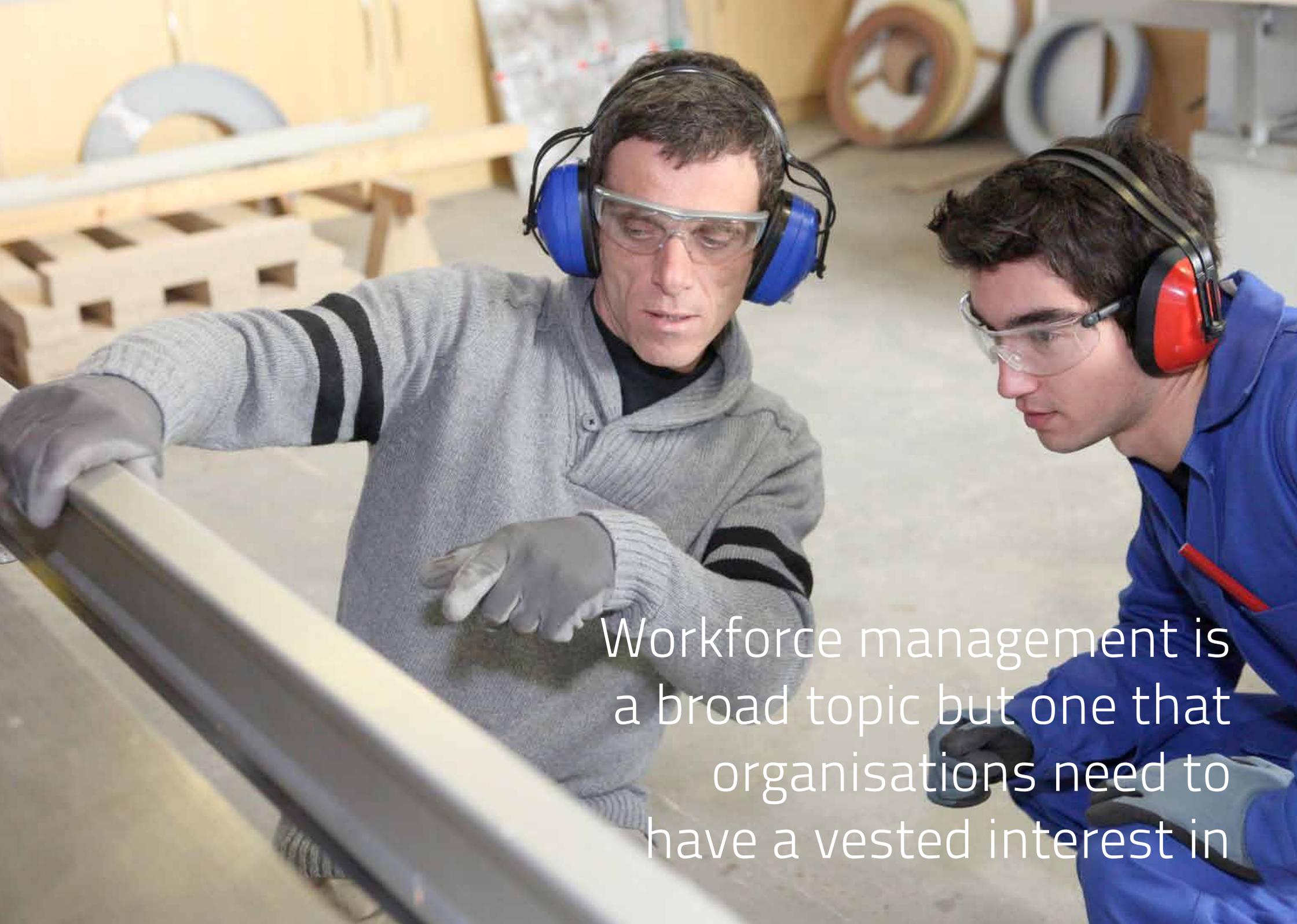
The picture emerging from timeware's® Workforce Management Study is that clearly the opportunity to reduce absence still exists within all companies. Our research found that 60% of respondents had at least one unplanned absence in 2014, for a variety of reasons.

And with a staggering 57% of people admitting they have rang in sick in the past three years, despite not being ill, there are steps that need to be taken to address this problem.

These findings clearly show that businesses will be able to reap significant rewards in terms of greater productivity and staff retention if they put in place strategies to effectively deal with all types of unplanned absence, whether that's health related or not.

Offering these types of benefits not only makes companies more desirable places to work, but can also mean that staff work more efficiently, take less time off and are more loyal. And our study clearly shows that staff actively welcome employers offering such schemes and greatly value the support they provide.

By Simon Birchall, Managing Director at timeware® (UK)



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Head office

timeware[®] UK Ltd.
3 Fieldhouse Road
Rochdale, OL12 0AD
United Kingdom

General enquiries: **+44 (0)1706 659368**
www.timeware.co.uk
www.timeware.ie

Community support: **+44 (0)1706 658222**
www.timeware.org

Email: **sales@timeware.co.uk**

West African office

visisure (West Africa) Limited
Victory Presbyterian Church
Behind Adenta SSNIT Flats
P. O. Box MD 603
Madina - Accra

General enquiries: **+233 (0) 30 397 0008**
Support: **+233 (0) 30 397 2033**
www.visisurewestafrica.com

Email: **sales@visisurewestafrica.com**