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1988

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Recommended Citation

Dalton, D. R. & Enz, Cathy A. (1988). *New directions in the management of employee absenteeism: attention to policy and culture* [Electronic version]. Retrieved [insert date] from Cornell University, School of Hotel Administration site: <http://scholarship.sha.cornell.edu/articles/626>

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New Directions in the Management of Employee Absenteeism: Attention to Policy and Culture

Abstract

[Excerpt] Over one million American workers who are otherwise employed will not attend work on any given day: they will be absent. Given the expense and disruption associated with such widespread employee absenteeism, it will come as no surprise that a great deal of time has been spent to determine the causes of employee absenteeism and how its incidence might be reduced. Sadly, however, it has been concluded that the heavy investment of research effort on absenteeism has failed to generate significant dividends, whether one's criterion is the prediction, explanation, or control of absence (Chadwick-Jones, Nicholson, & Brown, 1982).

While prior absence research has not and does not serve the practicing manager very well, new research on employee absenteeism provides promising avenues for management. This chapter will provide an overview of the magnitude of the absenteeism problem and a rationale for why much of the earlier study of workplace absenteeism did not, as a practical matter, provide much information or direction to managers. Then the "new directions in the management of absenteeism" will be examined.

Keywords

absenteeism, work avoidance, organizational culture

Disciplines

Hospitality Administration and Management

Comments

Required Publisher Statement

© Thomson Reuters. Final version published as: Dalton, D. R. & Enz, Cathy A. (1988). New directions in the management of employee absenteeism: attention to policy and culture. In R.S. Schuler, S.A. Youngblood, & V. Huber (Eds.), *Readings in personnel and human resource management* (3rd ed., pp. 357-366). St. Paul: West Publishing Company. Reprinted with permission. All rights reserved.

New Directions in the Management of Employee Absenteeism: Attention to Policy and Culture

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Over one million American workers who are otherwise employed will *not* attend work on any given day: they will be absent. Given the expense and disruption associated with such widespread employee absenteeism, it will come as no surprise that a great deal of time has been spent to determine the causes of employee absenteeism and how its incidence might be reduced. Sadly, however, it has been concluded that the heavy investment of research effort on absenteeism has failed to generate significant dividends, whether one's criterion is the prediction, explanation, or control of absence (Chadwick-Jones, Nicholson, & Brown, 1982).

While prior absence research has not and does not serve the practicing manager very well, new research on employee absenteeism provides promising avenues for management. This chapter will provide an overview of the magnitude of the absenteeism problem and a rationale for why much of the earlier study of workplace absenteeism did not, as a practical matter, provide much information or direction to managers. Then the "new directions in the management of absenteeism" will be examined.

Absenteeism: An Overview

It would be difficult to overstate the impact of employee absenteeism on organizations. Absenteeism is probably recognized as a management problem in all industrialized countries. In fact, absenteeism would be acknowledged as a problem anywhere there are fixed work schedules (Chadwick-Jones, Nicholson, & Brown, 1982). There are two factors that should be considered in a thorough overview of employee absenteeism: (1) the extent of absenteeism; and (2) the cost of absenteeism.

In the United States, the absenteeism rate—percentage of absenteeism to total scheduled hours—ranges from 2 percent to 3 percent, although some organizations have reported absenteeism in the 16-20 percent range (Leigh, 1986). While this base rate seems low, an estimated 400 million person-days are lost *each year* as a result of employee absenteeism! This is almost ten times the number of person-days lost to strikes over a *ten-year* period (Yolles, Carone & Krinsky, 1975). Problems with

absenteeism are obviously not restricted to the United States. In comparison with other industrialized nations, the United States is midrange. Japan and Switzerland, for example, have less absenteeism—some 50 percent less. Italy, France, and Sweden, on the other hand, have several times more absenteeism. Italy, for instance, has a serious problem—but it is difficult not to be amused by the following account, which has been recently described:

In Italy ... absenteeism has become so institutionalized that many organizations cannot cope with those rare days—usually twice a month on payday—when everyone shows up... Italian manufacturers must hire between 8 and 14 percent more workers than they need just to get the work out... The situation in Italy reached its peak in 1982 when police began arresting some of the more serious absentees, charging them with fraud.... Even so, a high-level commission impaneled to study the problem made little progress; its first meeting had to be canceled because of poor attendance. (Steers & Rhodes, 1978)

Interestingly, the Soviet Union has had problems with employee absenteeism as well. In 1983, the Kremlin announced measures aimed at reducing absenteeism. These included a provision that employees who missed work without a good reason would lose a day of vacation for each day that they were not present (Latham & Napier, 1984). Obviously, such levels of absenteeism lead to disruption and expense for the organization.

The Costs of Absenteeism

Employee absenteeism costs U.S. companies alone some 30 billion dollars per year. It has also been reported that for every 0.5 percent of change in national absence rates in the United States, the gross national product goes down by \$10 billion (Steers & Rhodes, 1978). In fact, it has been estimated that employee absenteeism costs General Motors—a single corporation—some \$1 billion per year (Dilts, Deitsch, & Paul, 1985).

The costs of absenteeism to the organization can be readily demonstrated. Exhibit 1 illustrates the cost of a single year's absenteeism to a *real* West Coast transit organization in the United States. Research has shown that for this particular industry, the overall absence rate was some 5 percent (Dalton, Perry, & Angle, 1979). To get a close approximation of the cost of employee absenteeism, then, we must compute the annual cost of the extra employees + 5 percent of the total wages + 5 percent of the annual fringe benefits contribution + all overtime payments required to cover absent employees. Exhibit 1 presents the approximate costs associated with a 5-percent absenteeism rate for an organization with 200 regular employees earning \$6 per hour. This \$300,000 cost is easily brought into

perspective: It is enough to maintain 20 additional employees per year. From the example in exhibit 1, it costs \$12,000 in salary plus \$3000 in fringe benefits (a total of \$15,000) to maintain one employee for one year. Dividing \$300,000 by this amount results in 20 additional employees who could be hired, based on a 5-percent absence rate.

This estimate of absenteeism costs is conservative. Six dollars an hour is not a large hourly rate. Obviously, as the wage rates go up along with the attendant fringe benefit packages, the costs of absenteeism also increase. This estimate also assumes that all costs are direct and that there is no loss of productivity because of the absenteeism—a questionable assumption. The real costs of absenteeism for the organization, then, are probably larger than those reported here. In any case, there is little question that absenteeism does represent a real expense to the organization.

Exhibit 1 Approximate Costs Associated with Absenteeism

Assumptions: 200 regular drivers			
			5% absenteeism rate (actual rate = .0488)
			10 extra board drivers (.05 × 200 regular drivers)
			0 overtime assumed (assumption is that extra board is always sufficient; i.e., overtime is never paid to cover for absent drivers)
			\$6 per hour (average pay rate per driver)
			2000 working hours per year (50 weeks × 40 hours)
			25% fringe-benefit package (fringe benefits are 25% of total payroll)
2000 hours per year × \$6 per hour × 200 drivers = \$2,400,000			
To			
Total payroll annually	\$2,400,000	(2000 hours per year × \$6 per hour × 200 drivers)	
Total fringe benefits	600,000	(.25 of total payroll)	
Total cost of extra Board	120,000	(2000 hours per year × \$6 per hour × 10 drivers)	
	+30,000	(fringe benefits for extra board drivers .25 of total extra board drivers)	
Total cost of absenteeism			
1. 5% of total driver payroll that is paid annually for zero (0) productivity			\$120,000
5% of total fringe benefit package for regular drivers paid for zero (0) productivity			30,000
total cost of maintaining extra board (10 drivers)			120,000
fringe-benefit package for extra board drivers			<u>30,000</u>
		Total cost:	\$300,000

Note: The "extra board" is the name commonly used in this industry for those employees who are retained to fill in for employees who are absent or tardy. Inasmuch as a certain minimum number of employees is absolutely necessary for the organization to perform, the "extra board" is a permanent fixture and requires the employment of additional employees.

Past Study of Absenteeism: A Possible Failure to Communicate

Despite the high costs of absenteeism, traditional approaches have not provided the manager with responsible directions for its control. Some have referred to the investigations of absenteeism as "bewildering" (Dilts, Deitsch, & Paul, 1985) and concede that much of the research in the traditional study of absenteeism "is not designed to be very informative" (Fichman, 1984). This is because some of

the factors that have been reported to lead to employee absenteeism are of little, if any, practical value to the manager. Suppose, for example, that women do have a tendency to be absent from work more than men. What practical value is that information? An organization could not—and most certainly would not—opt to hire only men to rectify this situation. To do so would be an outrageous violation of the Civil Rights Act. Suppose, furthermore, that it could be established that older employees are more likely to be absent than younger. Once again, an organization would be in clear violation of the Age Discrimination Act if it refused to hire older employees to reduce its absenteeism. It has also been reported that employees with larger families have a tendency to be absent more often. Again, what is the practical value of this information? Do organizations, then, discriminate in hiring based on the size of an applicant's family (Dilts, Deitsch, & Paul, 1985; Mowday, Porter, & Steers, 1982).

We would argue that such information is of virtually no consequence to the practicing manager. Rather, the manager needs information about the incidence of absenteeism that suggests procedures that have been shown to reduce it without being in violation of the law or being completely impractical. Moreover, such procedures would ideally be relatively inexpensive to administer and would not necessarily involve harsh disciplinary procedures.

The Management of Absenteeism

All absenteeism is not—nor should it be—subject to management. Some level of employee absenteeism is largely unavoidable and is sometimes referred to as Type A absence; people are occasionally ill and circumstances do arise that make it nearly impossible for employees to attend work. There is, however, mounting evidence that *much* employee absenteeism is avoidable—so-called Type B absence (Chadwick-Jones et al., 1982).

In fact, it appears from a series of recent reports that some absenteeism may be a *deliberate* strategy used by employees to avoid work. To the extent this is true, then this portion of absenteeism is certainly subject to control and management (Dalton & Perry, 1981).

There is an interesting factor that consistent with our contention that some absenteeism can be reduced. We know that employee absenteeism is not equally distributed. There is a great deal of evidence that a relatively small percentage of individuals in the workplace are responsible for a disproportionate share of the total absenteeism (Walker, 1947; Garrison & Muchinsky, 1977). Moreover, it has recently been argued that an individual's past absenteeism is a very good predictor of future absenteeism. It would appear that individuals who have been absent are evidently not hesitant to be so

again. Recent investigations have strongly concluded that there are major effects on the amount of absenteeism that appear to be caused by nothing more than the policy followed by the organization.

For example, organizations that pay more money to employees have higher absence rates. As income increases, employees may "buy" leisure. Simply, they can afford to be absent. Organizations that do not require that an employee establish proof of illness (doctor's certification) also have higher rates of employee absenteeism. When unused sick leave is not reimbursed, employees will use up their sick days rather than forego any benefit (Dalton & Perry, 1981). Similar results have been reported elsewhere (Dilts & Deitsch, 1986).

Given that the absence rates are much higher for the more lenient policies, organizations should review their policies, whether formal or informal, with respect to absenteeism, and modify where appropriate those policies that actually encourage absenteeism. Stated somewhat differently, absenteeism rates decline where firms condition worker compensation, and continued employment, upon regular attendance. Many firms, therefore, albeit unwittingly and indirectly, *not only tolerate or accept but actually reward employee absences* because their policies "make absenteeism 'easier' or more profitable for the employee" (Dalton & Perry, 1981).

This simply does not have to be the case. Absenteeism is subject to control; there is very strong evidence that such control can be gained through reasonable policies for employee absence. With such policies, management may have to resort to direct disciplinary action rather infrequently. When necessary, however, the requirements to establish such disciplinary procedures are well known:

1. A company must have a clear disciplinary policy on absenteeism, known to the employees
2. The policy must be applied fairly and consistently
3. The worker must be given a fair warning that he faces disciplinary action unless his or her attendance record is improved (Dilts, Deitsch, & Paul, 1985).

Presence of an Absence Culture

Control through the use of absenteeism policies such as those suggested may be effective in reducing avoidable and chronic absenteeism. However, organizational rules and policies alone are not the complete solution, particularly if an organization has an established work environment in which absenteeism is accepted. Suggestions for the establishment of formal mechanisms must be accompanied by attempts to foster and develop an attendance culture.

All organizations have sets of informal norms or understandings that members of a company share in common. These informal rules tell people how to behave and constitute the culture of an

organization. Organizational cultures consist of the values, beliefs, norms, and meanings that are shared among employees and are separate from formal organizational rules (Pettigrew, 1979). While most discussions of organizational culture focus on the ability of strong cultures to foster cohesion in the workplace and inspire productivity, there is a downside to the building of a strong culture. Cultures that support or encourage informal behaviors that are not consistent with organizational rules or needs are viewed as undesirable cultures.

An absence culture is one example of a potentially counterproductive work environment. When the informal rules and shared beliefs support absenteeism, a firm is said to have an absence culture (Chadwick-Jones, Nicholson, & Brown, 1982). Absence behaviors develop into a cultural phenomenon when (1) the majority of employees exhibit similar absence behaviors; (2) employees treat the absenteeism of others as legitimate; (3) absenteeism is common practice; and (4) absence behavior is motivated or planned.

One federal government employee captured the essence of an absence culture when reflecting on her workplace: "They go along, everything is tolerated, measures are not taken to rectify situations." Other illustrations of norms supportive of an absence culture are the following:

- "I'm going to get paid anyway."
- "There's no reward for coming in, no punishment if we're out. So what the hell?"
- "I get in more hot water for being 15 minutes late than I do for taking a sick day."
- "They're doing all right. They can afford my days off."

The presence of an absence culture is clearly a liability for organizations because the informal beliefs are not consistent with the needs of the organization. A culture that encourages taking days off results in increased costs associated with wages and benefits. Other costs of absenteeism include large expenditures for lost work time, production loss, missed opportunities and deadlines, and eventually replacement and training costs.

An organization need not have the entire company operating in an absence culture. More likely a work group or department will condone or foster absenteeism. In one company recently examined, two work groups identical in their operation and reward systems were found to have different attendance rates. Through close examination it was revealed that the absence was directly attributable to the group norms. One group's norms and expectations supported not coming to work (Allen & Higgins, 1979). The presence of these departmental norms may be difficult to detect, given the taken-for-granted nature of well-established expectations. Thus, the first step in changing an absence culture or subculture is identifying why it exists.

Why Do Absence Cultures Exist?

An absence culture is learned and shared by members of an organization or subgroup. When new employees enter the organization, they are often told what is acceptable. A powerful shaper of the newcomer's behavior is the actions of coworkers. Observing others in the work group and being told "how things are done around here" are strong influences on the newcomer's own behavior. Absenteeism behavior is especially sensitive to the unwritten rules of the work group; thus, strong group norms toward absence can perpetuate an absence culture (Nicholson & Johns, 1985).

Several factors contribute to the existence and perpetuation of an absence culture. First, the values and beliefs of the broader society contribute to or discourage lost work time. For example, during World War II, avoidable absence dramatically decreased in the United States because the general population considered taking time off from work to be unpatriotic (Ott, 1981). One recent investigation found that the value attached to nonwork activities was associated with the duration of absence (Youngblood, 1984). In other words, employees were proactively absent for longer periods of time to take advantage of their nonwork interests.

A second factor contributing to an absence culture is the attitude of management. When supervisors are casual or disinterested in absenteeism, a clear message is sent to employees—If my supervisor doesn't care, why should I? One report cited a manager in a manufacturing organization whose lack of interest in attendance goals and practices yielded him one of the highest absenteeism rates in his company (Allen & Higgins, 1979). When supervisors do not monitor or take action against avoidable absence, the informal rules versus formal policies will dictate behavior. A final factor influencing a culture of absenteeism is the nature of the job. For employees in low-status jobs, lacking in discretion and variety, absenteeism may be an opportunity to avoid or escape undesirable activities (Nicholson & Johns, 1985). It seems plausible that attendance would be higher where the job itself was rewarding, workers were very dependent on each other to perform their jobs, and the employee had greater control over tasks.

In sum, the attractiveness of shared nonwork and societal values may be the pull to be absent, while the nature of the job and permissiveness of supervision might be the push. Because of the strong effects of informal norms on behavior, attempts to reduce absenteeism must take into consideration the organizational culture. In many instances, if absenteeism is to be reduced for longer than a few months, cultural change is necessary.

Changing an Absence Culture

We believe that an absence culture can be changed, but the change requires managerial commitment, and consistency of administration. In addition, attempts to change the culture will require time and the use of multiple approaches. To change an absence culture will require management actions that are proactive rather than reactive, and comprehensive rather than hit-or-miss. Turning an absence culture into an attendance culture can be accomplished by focusing on the following five steps.

1. Increased Attention to Absenteeism. Management disinterest in monitoring absenteeism frequently transmits a message of acceptance to employees. Many attendance programs exist as part of a company policy but are not adhered to or updated. According to a recent survey of personnel managers, many approaches to controlling absenteeism are deemed ineffective but continue to be utilized (Scott & Markham, 1982). Hence, one way of altering the existing norms that legitimate absence is consciously to pay attention to or monitor employee absenteeism behaviors.

One way of increasing attention to absenteeism is the development of better reporting systems to collect attendance data. Costing time loss, developing absence data for work units as well as individuals, examining the pattern of absences before and after holidays and weekends, separating questionable lost time from other categories, and developing a larger range of absence categories are all promising areas for the management of absenteeism. While few personnel managers report keeping daily records of attendance, new computerized personnel information systems are becoming available. Being able to easily collect information on absence behaviors is the starting point for developing programs to change an absence culture. Another way of increasing attention is to clarify what is expected of employees. A vice president of operations for a restaurant chain noted recently that his company's approach to solving absence problems was to sit down with employees and restate what was expected of them.

2. Role-Modeling Good Behavior. "Do as I say, not as I do" has never proved to be a powerful method of shaping behavior. If an organization wishes to alter the existing norms that favor absence, management must begin by exhibiting the desired behaviors. Simply stated, if a firm wants and expects employees to attend, then management must also exhibit good attendance behaviors.

One illustration of role modeling to improve attendance has become a part of the folklore of one privately owned firm. According to stories told to one of the authors, tardiness and attendance problems so plagued one of this company's plants that the president installed time clocks in all parts of

the company. He was so committed to insuring that people arrived on time and worked a full day that he required all his executives (including himself) to punch a time clock.

Role modeling can be even more powerful if practiced at the co-worker level. Since work groups have the ability to encourage absence behaviors, it is evident that they also have the ability to encourage co-workers to attend. General Motors has developed a peer-based profit-sharing program to reduce absence (Deitsch & Dilts, 1981). This firm has found that the use of a group incentive is an excellent way of pressuring frequent offenders into changing their behaviors.

3. Reward Attendance, Punish Nonattendance. Is it appropriate to reward someone for doing what they should already be doing—putting in a fair day's work for a fair day's pay? The Liebert Corporation of Columbus, Ohio, thinks so. This firm has established a program in which hourly employees receive company stock each year for perfect attendance (Carpenter, 1985).

Numerous programs exist for rewarding attendance, including those that use incentives, such as awards, promotions, preferred job assignments, year-end bonuses, credit toward retirement, or prizes. Critics of using rewards argue that they are only short-run solutions that eventually become expected by workers, lose their value, may be costly, and pose serious monitoring and recordkeeping problems by first-line supervisors (Ott, 1981). In contrast, proponents of reward programs report impressive changes in attendance programs (Schmitz & Heneman, 1980).

By far the most frequently used approach to solving absence problems involves some form of disciplinary action. Use of warnings, discussions, docked pay, layoffs, and termination are examples of this approach to absenteeism. Interestingly, this approach is most effective in reducing absenteeism for employees in a high absence group, but does not work well in groups of occasional or low absence employees (Stone, 1980).

An absence culture thrives in most organizations because the existing disciplinary policies are unclear, poorly designed, or inconsistently administered. Programs of corrective or progressive discipline can only succeed if they are clearly developed and fairly administered. One success story was the program devised by a southern plant of Scott Paper Company. In this progressive discipline system, absenteeism dropped and seventy workers were fired over a six-year period. (Stone, 1980).

Recent attempts to combine both punishing and rewarding systems of absence control have found dramatic success. The punishment approach tends to shape the behaviors of employees while the reinforcement approach provides for positive attitudes toward the organization. (Morgan & Herman, 1976; Kopelman & Schneller, 1981).

4. Alter the Design of Work. In a work environment where most jobs offer little challenge or variety, the motivation to come to work may be low. One approach to improving the work setting and attendance involves redesigning jobs. Introducing quality circles, a program in which employees meet in groups to discuss and solve work-related problems, proved instrumental in improving employee attendance for a multinational recently studied (Marks, et al., 1986). Clearly, participation in decision making enhances work involvement and heightens the degree of reliance co-workers have on each other. Hence, one way of altering an absence culture is by changing the nature of jobs through quality of work-life programs or other job enrichment systems. Another approach directed at changing the work setting involves the introduction of flexible hours or company-run day care. Absenteeism rates may be lower under more flexible, rather than rigid, work schedules. For example, married women and mothers may have lower rates of absenteeism when employed under a flexible schedule.

5. Refine Selection, Promotion, and Removal Procedures. One of the easiest ways of avoiding the development of an absence culture is to select and promote persons who do not hold beliefs that legitimate staying home from work. By not hiring persons who are likely to condone absenteeism, the problem of an absence culture developing is controlled. Similarly, firing serious offenders sends a strong message to others and may, over time, break up groups of people who share the informal norms that encourage avoidable time off.

The Ugly Duckling Rent-A-Car System, Inc., of Tucson, Arizona, established a selection procedure in which they examine potential hirees based on past attendance records. According to the company president, the best way to solve an absenteeism problem is not to have any absenteeism to begin with. In sum, utilization of well-developed selection, promotion, and removal procedures can be effective in preventing the development of an absence culture or eliminating an existing absence culture.

Summary

Employee absenteeism does have a large impact on the effectiveness of the organization. While some absenteeism is unavoidable, there is persuasive evidence that a large portion of employee absenteeism is deliberate and therefore subject to control. We do not believe that Type B—avoidable absenteeism—is a cost of doing business. Rather, absenteeism of this type is manageable and can and should be reduced.

There are two factors that must be considered in order to manage absenteeism of this type. First, what are the organization's policies? More importantly, do existing formal policies in the

organization actually have the effect of encouraging employee absenteeism? There is compelling evidence that such policies lead to increased absenteeism.

A second factor concerns the "absence culture" of the organization. Is employee absenteeism an acceptable behavior? Is it "normal" for employees to take many days off in the course of the year? Once again, there is impressive evidence that suggests that a permissive culture leads to higher levels of employee absenteeism.

A key point here is that any time formal policies or informal (cultural) policies actually encourage—or at least do not discourage—absenteeism, the result is predictable: far more employee absenteeism. More to the point, to the extent management provides an effective environment by establishing reasonable absenteeism policies in concert with positive changes in the absence culture, lower levels of absenteeism are the likely result.