Improving Productivity and Reducing Labor Costs with Automated Absence Management

Managing employee absences is a complicated, time-consuming, and expensive proposition for most organizations. Employee absences have near term — who can cover this shift today? — and long-term — are we exposing the organization to risk by not accurately tracking various absence and leave types? — impacts. In November and December 2012, Aberdeen studied over 200 organizations and their absence management practices. This Research Brief looks at the findings from the study, including the impact of standardizing and automating absence management.

The Challenge of Managing Employee Absence

Organizations face many challenges when it comes to ensuring they have the right workforce in place to execute on their strategic goals. Not only must organizations attract, retain, and develop top talent, they must also ensure that the talent they have is being utilized efficiently and effectively. So it's not surprising that the number one pressure cited by respondents to Aberdeen's July 2012 Workforce Management study was the need to improve overall workforce productivity (69%). And as Figure 1 below shows, the negative impact on productivity is a key driver behind the automation of absence management, along with cost and managing emotional impact.

Figure 1: Pressures Driving Automation of Absence Management

For the purposes of this study, Aberdeen defined employee absence as sick time, vacation time, and personal days as well as short-term / long-term leave, including formal compliance with state and federally protected leave.
Managing employee absences, which Aberdeen defined for purposes of this study as sick time, vacation time, and personal days as well as short- and long-term leave, including formal compliance with state and federally protected leave, is one of the tools utilized by successful organizations to manage the cost and effectiveness of their workforce. Automation of this critical process can help organizations minimize the productivity loss created by absent workers and manage associated costs through better planning. But it’s also interesting to note the emphasis organizations put on removing the impact of human emotion when dealing with absenteeism. This can take several forms, including reducing human error when making leave decisions, particularly in situations that involve illnesses, injuries, or emergency situations, as well as taking the emotion out of conversations around issues like chronic lateness or perceived favoritism by ensuring transparency of and visibility into leave and absence data.

Absence management is also an area ripe with opportunity to improve organizational efficiency and employee experience. On average, companies reported that HR managers spent just under two hours (1.9) each week on absence-related tasks, and line managers nearly the same at 1.7 hours per week. Multiplied out across all of the managers within an organization, this can add up to significant amount of time that could be better spent on more strategic activities. In addition, organizations indicate an average annual loss of productivity of 11% due to unplanned absences (defined as typically short-term absences with one day or less notice) and estimate the average cost to the business for unplanned absences is equivalent to 74% of replaced worker salary. As indicated in Figure 2, these absences often cause disruption for coworkers and supervisors who are asked to work overtime or extra shifts.

Figure 2: Typical Response to Unplanned Absences

Fast Facts

√ HR managers spend **1.9 hours per week** on absence tasks
√ Line managers spend **1.7 hours per week** on absence tasks
√ Organizations estimate the loss in productivity due to unplanned absences at **11% annually**
While all types of absence can have some negative impact on the business, by far the most significant impact comes in the form of unplanned absences. Unplanned absences are not something an organization will ever completely eliminate, but finding mechanisms to better respond to them is important. While the most common strategy is to simply have existing staff work overtime or extra shifts to cover for unplanned absences, the data shows that this is far from the ideal solution. Organizations using this strategy estimate the annual loss of productivity due to their unplanned absences to be 11%, while organizations that replace absent workers with supervisors or third-party staff see only a 9% loss of productivity. This productivity difference climbs to 14% for organizations that simply do nothing to replace absent workers. Clearly, organizations need tools and solutions to help them not only track, but also manage the impact of absenteeism on their overall business performance.

Finding the Right Solution

Organizations have several options when it comes to managing absenteeism. Automation, either through an integrated time and labor or human capital management (HCM) technology solution, or as a standalone piece of software, is currently the most common. But given the importance of not only tracking but responding to absences, organizations may also look into outsourced or service-based solutions (Figure 3).

Figure 3: Source of Absence Management Solutions

Automated absence management solutions have a significant impact for the organizations utilizing them. Best-in-Class organizations from the Workforce Management study mentioned previously (see sidebar for definition) were 18% more likely than All Others to automate absence management (46%
versus 39%), which was second only to automated time and attendance tools as the most common technology enabler in place for top-performing organizations. Organizations in that study with automated absence management processes saw 8% greater workforce capacity utilization (82% vs. 76%), as well as the other improvements illustrated in Figure 4.

**Figure 4: Impact of Automated Absence Management**

Automation not only relieves administrative burden, but also ensures accurate compliance tracking. It also significantly reduces the total cost of overtime — specifically unplanned overtime due to unanticipated absences or other unforeseen events. As shown in Figure 4, the overall percentage of payroll due to overtime is 19% less (7.1% vs. 8.8%) and unplanned overtime is 7% less (13.5% vs. 12.6%) among organizations with automated absence management.

These situations can have an impact on employee engagement as well. Some managers are more skilled than others when it comes to discussions around absenteeism concerns, and in managing employee expectations around last-minute requests to work extra hours or come in on a planned day off. Automated solutions ease these concerns. When asked to name the most significant improvements the organization has seen as a result of implementing an automated absence management solution, 44% of respondents indicated improved compliance and 42% indicated improved employee satisfaction and retention. These were by far the most commonly cited impacts. Quality absence management protects and serves both the organization and the individual employee by improving visibility and data-driven decision-making.

In addition, the decision to automate absence management is highly correlated to a reduction in unplanned absences. In the past year, 24% of
organizations with automated absence management solutions indicated that the number of unplanned absences has increased, while 33% of organizations with manual absence solutions indicated that unplanned absences has increased. Given the organizational impact of unplanned absences discussed previously, this is an important benefit of automating.

**Integrating Absence Management**

Not only do organizations need absence management solutions to track and report on absences, they also seek automation to drive increased levels of integration with other systems, such as leave management and scheduling (Figure 5).

**Figure 5: Capabilities of Absence Management Solutions**

This integration is a critical capability and may be one of the drivers behind the trend illustrated in Figure 3, which indicates that organizations are far more likely to utilize absence management solutions that are part of their time and labor or HCM suite solutions. Integration also allows for real-time reporting and communication, which are critical drivers behind the type of technology selected by organizations. When asked to rank the relative importance of key features when selecting an absence management solution, tracking, reporting, and analytics were most critical.

- Real-time tracking of absences (81%)
- Understanding and adhering to regulatory changes (72%)
- Attendance reports and trending analyses to spot abuse (70%)
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• Calendar view of absences by month or year (68%)
• Real-time alerts (60%)

Absence Management Helps Improve Compliance

Compliance is also a significant benefit of an automated absence management solution. Managers have visibility into absence data that can assist with critical performance management conversations with their team. This visibility and transparency also helps minimize organizational exposure to risk from labor actions. Organizations utilizing automated solutions for absence management can ensure that managers, employees, and organizational leaders all have a clear understanding of how labor policies are implemented and how labor data is tracked. Automating this critical process not only leads to reducing the number of grievances filed, but also helps organizations defend against situations where they are not at fault. As the data in Table 1 shows, organizations with automated absence management report 29% (2.1 vs. 2.7 per year) fewer grievances filed, and 17% (22.6% versus 26.4%) less of these grievances have settled in favor of employees than their counterparts with manual absence management solutions.

Table 1: Automation Impacts Risk

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<thead>
<tr>
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<th>Automated Absence Management</th>
<th>Manual Absence Management</th>
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<tbody>
<tr>
<td>Average grievances per year</td>
<td>2.1</td>
<td>2.7</td>
</tr>
<tr>
<td>Percentage of grievances settled in favor of employees in past three years</td>
<td>22.6%</td>
<td>26.4%</td>
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Source: Aberdeen Group, December 2012

Technology Supporting Process

Good technology should always be supported by good process. Based on the data from Aberdeen survey respondents, organizations with automated absence solutions are not only more likely to have clear absence policies in place and communicated to employees, but they also use these solutions to help guide their leave process, from determining leave eligibility to tracking and compliance tools (Figure 6).
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Figure 6: Capabilities in Place

This type of attention to ensuring that the proper type of leave is granted, and tracking for both internal and external reporting purposes, is very important when it comes to managing the risk associated with leave. Organizations need to make sure that they are not exposed to financial risk because paid time off that should have been used by employees was not accurately tracked and must be paid out if that employee leaves the company. There are many circumstances which may cause an employee to miss work, and organizations need the tools and processes to ensure that they can respond appropriately in the near- and long-term so they manage employee expectations while managing productivity and labor cost.

Recommended Actions

Effective absence management can play a significant role in organizational productivity, labor cost reduction, and improved employee experience. Organizations must ensure that they have the right processes and tools in place to help them effectively manage situations when employees cannot attend to their normal work schedule. Organizations looking to implement effective absence management solutions should keep the following points in mind:

• **Automate absence management.** Automation has significant benefits for the organization, including reduced labor costs, improved efficiency, improved compliance, and improved employee satisfaction. Automation allows for better data collection that can drive better decision-making at all levels of the organization, and helps businesses take advantage of improved operational efficiency. Automation also helps reduce overtime costs and the number of unplanned absences that disrupt organizational performance.
• **Integrate absence management solutions and data.** To fully reap the benefits of automated absence management, integrate absence management with time & attendance, scheduling, payroll, HR, and leave management for deeper insights and better decision-making. Best-in-Class organizations strongly favor integrated absence management solutions, which can ensure that schedules remain accurate and up-to-date and leave cases are managed effectively and in compliance with regulations.

• **Ensure absence management covers planned and unplanned leave.** Planned leave is far easier to manage, but unplanned leave often creates the most issues. Organizations should ensure that they have effective strategies in place to handle short- and long-term absences, as well as backup plans for the unexpected. Looking to establish float pools or relationships with temporary workers may help alleviate the burden on direct coworkers and supervisors, as well as reduce costs.

For more information on this or other research topics, please visit her [www.aberdeen.com](http://www.aberdeen.com).

### Related Research

| Workforce Management 2012: Efficiency, Effectiveness and Engagement; July 2012 | The Engagement / Performance Equation; July 2011 |
| Workforce Management Goes Mobile; February 2012 | Time and Attendance Strategies: Beyond Compliance and Payroll Accuracy; May 2011 |

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