

## **Present dangers: presenteeism is the next area of focus as companies seek to maximize their investment in human capital by improving productivity and promoting employee health and wellness - disability**

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These days, innovative and forward-thinking companies are studying the next component in the productivity equation. It's known as **presenteeism**, or the loss in productivity that occurs when workers are on the job, not but performing at their best.

Historically, absenteeism--tracking and managing the incidents of planned and unplanned employee absences--has been a major focus for many employers. But what about the employee who is at work but not fully functioning? What causes presenteeism? How do employers identify and intervene to help their employees achieve optimal productivity?

Looking at presenteeism, the focus shifts to the employee who is present but not performing at his or her best due to outside factors that include chronic or episodic illness, distraction from family care needs, personal problems or other concerns.

"As I look at the different types of lost-time events that an employee may have, on the far end of the continuum are long-term disability or catastrophic workers' compensation cases. Short-term disability and the shorter absences of one or two days represent the middle of the 'lost-time' continuum. Presenteeism is the logical next step on this continuum. The person is actually at work, but not fully engaged," says Adam Stetzer, chief operating officer of Nucleus Solutions, a Virginia-based consulting firm that helps companies confront employee absence and productivity issues.

Presenteeism clearly is the new frontier as companies continue to seek ways to reduce costs, improve productivity, and promote employee health and wellness.

"Our current work with presenteeism is an evolution from the programs we've had in place over the years--projects that have shown a positive return on investment and a positive return for employees," says Dr. Pamela Hymel, vice president of medical services and benefits with Hughes Electronics Corp.

### **Presenteeism More Expensive and Riskier than Absenteeism**

Presenteeism has a major impact on a company's bottom line--more costly, some experts agree, than incidents of absenteeism. "When you look at total costs, meaning direct and indirect costs to a corporation in terms of medical costs, absenteeism, short-term disability, long-term disability and presenteeism, our estimate is that presenteeism accounts for about three quarters of the total," says Dr. Wayne Burton, senior vice president and corporate medical director for Chicago-based BankOne. "The rest accounts for a little over one-quarter."

Looking at health-related presenteeism issues, industry studies show that productivity losses amount to \$2 to \$3 for every \$1 spent by the employer on direct medical costs. In some industries, the cost can be as high as 10-to-1.

To put these statistics in perspective, the national average of direct medical and pharmacy costs is about \$7,000 per employee. Using a conservative 2-to-1 ratio that means \$14,000 is being spent per employee, per year on medically related productivity losses, according to Dr. Ronald Lopped, chief health officer for

CorSolutions Inc., which works with employers like Hughes Electronics to implement disease management and integrated health-related productivity improvement initiatives.

### **Tracking Health-Related Presenteeism**

Chronic health conditions such as diabetes, obesity, asthma, depression, pain disorders and allergies have a major impact. To combat this problem, Chicago-based BankOne Corp. and Hughes Electronics have gathered and analyzed data from employees using health and productivity surveys.

Using the surveys, "we looked at what health problems and health risks they had and how productive they were on the job," Burton, of BankOne, says. "We were able to capture the [decreases] in productivity and the rise in presenteeism costs."

Hughes Electronics targeted its call center in Boise, Idaho, which was found to have higher medical costs and a higher rate of disability than other populations in the company. It offered a financial incentive to employees for participating in the company's survey.

The findings were compelling: Of the 1,864 employees who participated, 8.6 percent reported they experienced a pain disorder that affected productivity. While this was below the national average of 13 percent (as reported in the November 12, 2003 issue of the Journal of the American Medical Association), the pain disorders experienced by the Hughes employees cost an estimated \$500,000 in lost productivity and an aggregate 1,600 in lost days every year.

Obesity showed the most significant impact, leading to an average of 20 days productivity loss per year per obese employee, and a cost of \$5,350. At a 7 percent prevalence of obesity among the 1,864 employees surveyed, the aggregate cost impact from presenteeism and absenteeism was an estimated \$700,000.

Allergies, with 38.5 percent prevalence at the time the survey was taken (in April), resulted in an average of four days" loss per year per employee and total productivity losses of \$900,000 across the 1,864 workers. "These are very clear and present dangers, both from a perspective of medical risk to the workforce as well as financial risk to the company," said Loeppke. Presenteeism warrants a close look from employers at the root causes and the collective response.

### **An Integrated Approach to Employee Issues**

The root causes of presenteeism are not always medical. Psychosocial issues from chief care and child care to financial troubles, addiction, divorce or family problems can also have an impact on employee productivity. Further, employee problems can ripple through a department, hurting morale, shifting the burden of work onto others and distracting co-workers. Many employers believe that helping employees to address these issues--to find solutions to the problems that will make their lives more manageable--will pay off in productivity.

"This is an important part of the business strategy," Burton added. "I've seen it many times. An employee is struggling with a health problem or a concern. They are surfing the Internet, talking to colleagues, trying to find an answer. By offering health education programs and resources, employers can provide employees with information and strategies, and help them to save time and reach a resolution to their concerns."

Thus, presenteeism requires an integrated" approach. If the problem is chronic illness or injury, disability management specialists and occupational health professionals can work with the employee toward a solution, such as an ergonomic evaluation and changes to a workstation. In the case of chronic medical conditions, disease management techniques and employee wellness programs can be beneficial. If the problem is personal, workers can tap into their employers' Employee Assistance Program for referrals or counseling.

"Companies have understood that employees have issues--emotional issues or practical issues--and they need help solving them. If they didn't get help, they would try to find solutions on their work time," says Jean Holbrook, director of product management for Ceridian Corp.'s LifeWorks Solutions. "It has eventually gelled over time to an understanding that people are better employees when they are more productive at work and more productive at home."

### **Work/Life in the Balance**

Given the demographics of the working Population--with aging baby boomers and the "sandwich generation" responsible for their elders on the one hand, and children on the other--employee concerns are likely to be on the rise. Without a solution, the work/life balance for many employees will become more difficult.

"Our own research indicates that 42 percent of the workforce anticipates elder care responsibilities over the next five years. Thirty-seven percent of those with elder care responsibilities right now lost work time due to care-giving and are spending 11 hours a week on elder caregiving," says Bryan Hamel, vice president of the National Care Center with Cigna Behavioral Health. The company covers 10 million lives, nearly half of which are serviced with EAP programs.

EAP programs are often free to employees and confidential, and put employees in touch directly with counselors, social workers or other professionals. One of the most commonly requested resources from EAPs, Hamel says, is legal services for estate planning, family law, divorce, real estate, bankruptcy or other non-workplace issues, accounting for some 60 percent to 70 percent of all referrals.

"Some people don't know where to start. They may call and say, 'I'm concerned about my parents. They are getting older and need some assistance.' Or, they may say, 'I have to go back to work and I have two little children. Can you help me find child care?'" says Hamel's colleague, clinical administrator Barbara Thorsen. With a list of referrals, employees can often find solutions more quickly.

In addition, EAPs may also reach out to employees who are dealing with mental stress, anxiety or depression due to these home/personal life concerns. "When an employee says, 'I need a lawyer for bankruptcy, for eviction or for child custody,' they are also dealing with the emotions and anxiety of that issue," adds Dr. Craig Coenson, associate medical director for Cigna's National Care Center. "You can't forget that portion of the work/life program."

For companies targeting presenteeism, the loss of productivity and the potential benefit to the bottom line through EAP and work/life programs is tangible and measurable.

"There is a significant decrease in productivity because of caregiving--care of elders, care of children and concerns about that care. But it's not measured very much," says Burton, of BankOne. "A survey that we did found, on average, that employees had spent about eight hours over the previous two weeks off work, related to giving care. Some of that was paid, such as sick leave or vacation time, and some was unpaid."

### **Workplace Issues and Presenteeism**

The potential savings for employers goes beyond reaping more productivity from focused employees. Effective use of EAP or work/life programs can also reduce consumption of more costly medical benefits. "And if I am an employee and I use an EAP program, there is no co-pay or deductible," adds Thorsen.

Presenteeism issues may also arise due to negative perceptions in the work environment, including conflict with supervisors or colleagues or the perception of unfairness in the workplace. "This may be dissatisfaction with the job, a lack of potential for advancement and policies such as scheduling and time off," Stetzer adds.

He gave the example of a company with two divisions that had different experiences with productivity losses due to incidents of presenteeism and absenteeism.

After investigating both divisions, one cause was found to be that one division offered a flexible-time schedule and the other did not. Employees at the division without the flex-time option had the perception of being treated unfairly.

"You have to look at an organization and its health as something you can measure and manage, just as you would for an individual's health" Stetzer observes. "We have standard indicators to aid this process. They are the 'blood tests' and 'x-rays' that we can do for an organization as a whole, speaking metaphorically, that point to where the problems are."

### **Educating Employees to Help Themselves**

Companies pursuing solutions to presenteeism cannot go it alone. Without employee outreach and education, wellness programs and EAPs will have only a minimum effectiveness.

"For employers, education can be accomplished several ways, through the Internet, company intranet and printed material, such as the wellness newsletters that we put out," Burton says. "Education includes the occupational nurses and physicians, bringing in someone who knows the latest treatments for diabetes, for example. It also means looking at benefit plan design. Overall, you're managing a health risk, just like you would an insurance risk. If it were workers' compensation, you would look at the cause of the injury and try to eliminate it."

At Hughes, working with physicians who treat the employees is also an important part of its presenteeism strategy. "We are engaging the medical community. They don't think about presenteeism. They think about treating the illness," Hymel says.

"We try to educate the physicians to treat the worker with a sports medicine mentality. Employees are essentially corporate athletes and we have to keep them healthy and in peak performance on the playing field of the workplace," Loeppke adds.

As we have seen with many workplace initiatives, large employers are once again taking the lead. Their presenteeism initiatives, however, are being closely watched across the business community.

"It's certainly the largest employers at this point, and it's starting to get down to the medium-size companies, and we know it will filter down from there" Barton says. "It takes the larger employers to prove the business case for it now, and that's what is going on. Companies want to do things better, quicker and with fewer people. But at the same time, there is a realization that we have to make an investment in employee health and in their well-being."

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