



# ABSENTEEISM AND PRESENTTEEISM TOOL

A cover note

## ABSTRACT

This document has been drawn up to assist the Association of Financial Mutuals with using the Absenteeism and Presenteeism tool created by LORIC. This document may not be used, in part or in whole, to support other LORIC beneficiaries. This document is for education and research purposes only and should not be used for the selling of insurance and financial services.

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## Introduction

The Absenteeism and Presenteeism tool was created by LORIC for the Association of Financial Mutuals to help illustrate the impact of poor workplace health management to SMEs in financial terms. The tool is built using variables that were determined to be appropriate proxies for the impact of presenteeism and absenteeism, and uses assumptions based on shared knowledge about the workings of small and medium enterprises.

**PLEASE NOTE:** All statistical models used in the calculator take certain assumptions about the length of a working year, how work is distributed in small and medium enterprises, and to what extent some of the losses in productivity and absences would have occurred regardless of what workplace wellbeing initiative was implemented by employers. It focuses heavily on measuring **opportunity cost and opportunity gain** – in other words, it is intended to present a broad picture and to get users to think about the long-term impact of business decisions.

**DATA SOURCES:** Data collected for this tool has been reused under Fair Use Copyright, which per UK Law allows the reuse of some copyrighted data:

- If the use is for the purposes of research or private study;
- If it is used for the purposes of criticism, review or quotation;
- Where it is utilised for the purposes of reporting current events (this does not apply to photographs)

**PLEASE ALSO NOTE:** This tool is meant to be used for purposes of research and education only. It is built on existing social and organisational theory that punishing people for being sick is costly in the long term. However, the calculations are not meant to be used for the selling of services or as a means of calculating employee contributions. The tool is meant to put intangible costs into tangible terms, per the principles of Social Return on Investment theory.

*Any attempt to use the tool as a means of precisely calculating risk or liability, or for the sake of altering insurance, would be a breach of the spirit in which it was created.*

## How to use the tool

The calculator was first built in Excel and then transferred into Power BI. To get an estimate, use the toggles on the left hand side to set the number of employees in the company, the days someone was absent in a week or the number of conditions individuals presented with in a week, the rate of overtime, the annual salary of an employee, and the company's annual profit to the nearest £1000.

These values are used to adjust the estimates, which are based on the values included below.

The scenarios are based on several assumptions:

- That within a SME/3<sup>rd</sup> Sector Company, all employees wear several different hats



- That each employee has an equal role to play in the company's annual profits
- That the salary entered is for the employee who is absent or presenting with an illness at work
- That, should the employee be let go, they would immediately be replaced
- That the replacement is on the same salary level as the previous one (the calculator does not take into account any spine point increases or decreases for new starters)

The values in these calculators offer conservative estimates. They do not take into account any additional hidden costs that might arise from improper handling of company property, loss of data or skills, the fallout of trust from the dismissal of loyal employees, or the cost of any acts of retaliation that might occur if a person in a key role is unfairly dismissed. As such, for any users of this tools, it is important to remember that these numbers represent the best case scenarios.

## Presenteeism values

The presenteeism calculator gives the following values to the person using it:

- The potential weekly loss of productivity: Annual profit, divided by number of employees, divided by working weeks. The calculator assumes one condition causes a 3% loss in productivity.
- The potentially yearly loss of productivity: Similar calculation on an annual level.
- The potential loss if the employee needs to be replaced: This includes a 30% drop in productivity for 30 weeks, while a replacement is being hired, trained, and settles into the new role.
- The potential loss if the employee is unfairly dismissed: This includes the previous value, but it also assumes a higher drop of productivity for the replacement if there is no handover period and no support for the replacement. It also includes the costs of a Tribunal and the penalty the employer would have to pay.
- The cost of offering half-time sick pay to employees: assuming 2.5 weeks of presenteeism time per year.
- The cost of offering SSP to employees: assuming 2.5 weeks of presenteeism time. This is based on the current government guidelines.

## Absenteeism values

The absenteeism calculator gives the following values to the person using it:

- Net cost of absenteeism in a week: using the productivity figure (annual profit, divided by number of employees and number of working days), multiplied by the days the employee was absent, and including the cost of overtime for the other employees who would have to cover for the absentee.
- Net cost of absenteeism for over one week, with sick days claimed: As above, including statutory sick pay
- Net cost of absenteeism if a temp is hired to cover: As above, with the temp being paid a minimum basic salary (this does not apply for replacements with more experience/on more highly paid posts)
- Gross cost of absenteeism: Includes four weeks of absenteeism followed by the need to replace a fed-up employee. The costs of replacement include a 15% salary fee to a hiring agency, plus employer NI and pension contributions.



- Average cost of absenteeism in a year on productivity: Assuming all employees take 4.1 days per year, the total number of days taken by employees is then multiplied by daily productivity. This is the best case scenario where no overtime is claimed and no temp workers are needed.
- Yearly cost of absenteeism: As above, but if 20% of employees claimed sick pa.
- Yearly cost of absenteeism with one replacement: As above, but also including the cost of replacing one worker. This is without any potential employer tribunals or calculating the potential redundancy that employee would be paid depending on their years of service.

## Source Links

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/sicknessabsencefallstothelowestrategyin24years/2018-07-30>

<https://www.gov.uk/national-minimum-wage-rates>

<https://www.gov.uk/national-insurance-rates-letters?step-by-step-nav=dc77c606-cc6b-49ac-9f40-b96959d02539>

<https://www.gov.uk/workplace-pensions-employers/how-to-enrol-staff?step-by-step-nav=dc77c606-cc6b-49ac-9f40-b96959d02539>

<https://publications.parliament.uk/pa/cm201415/cmselect/cmhealth/401/401.pdf>

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/sicknessabsencefallstothelowestrategyin24years/2018-07-30>

<https://www.gov.uk/national-minimum-wage-rates>

<https://www.gov.uk/national-insurance-rates-letters?step-by-step-nav=dc77c606-cc6b-49ac-9f40-b96959d02539>

<https://www.gov.uk/workplace-pensions-employers/how-to-enrol-staff?step-by-step-nav=dc77c606-cc6b-49ac-9f40-b96959d02539>