



Firing on all cylinders?

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Absenteeism costs, but clever manufacturers recoup those costs with a combination of workforce management systems and health and productivity programs, as Matt Bolch discovers

If you've ever called in sick to go to the beach or showed up for work when you really should have been in bed, you're not alone. A survey from Circadian Technologies shows that unscheduled absences cost companies \$3,600 per hourly employee per year and \$2,650 per salaried employee each year. And that doesn't take into account the costs associated with "presenteeism," defined as showing up for work when one is sick or distracted by family turmoil, leaving one giving a subpar effort. In a manufacturing environment, presenteeism can lead to manufacturing defects or on-the-job injuries that can drive up a company's cost of doing business.

On any given day, 6.4 percent of manufacturing employees aren't on the job, according to Circadian, which places manufacturing in the top six industries plagued by attendance problems. Even an incremental improvement in absenteeism can reap huge rewards, but any program must have a best practices foundation and be backed up by a robust system to track employee time and absences.

Recognizing the cost of employee absenteeism prompted Long Island City, NY-based FreshDirect to begin work on an attendance point system for the grocery delivery company's 1,700 employees, says Anthony Onesto, director of human resources. The system, still in the pilot phase, is backed by a workforce management system developed by Kronos Inc., of Chelmsford, MA, the number three player in the workforce management space, with more than 30 million worldwide users. But any technological change such as a time and attendance system must be backed by firm policies outlining both employee and employer responsibilities surrounding tracking absences, late arrivals, vacation time, family leave, and other time-off benefits a company may have.

"The company didn't have a real attendance policy," says Onesto. "There were a couple of notes in the employee manual about it." But absences cause strain, safety, and morale troubles for FreshDirect employees, many of whom work overnight shifts preparing meat, seafood, and deli orders and picking, packing, and sorting orders for next-day delivery. FreshDirect management determined that absenteeism rates were unacceptably

high and attendance policies weren't applied evenly across departments. Regardless of the number of people who show up for work, the same number of orders must be filled, which means bringing in others on overtime or increasing workloads for those present.

So FreshDirect developed an attendance point system that leads to progressive discipline for repeated infractions. The first level is verbal coaching, followed by two written warnings, and finally dismissal. The system will alert managers to employees who should be counseled, which should take place within 24 hours. If that does not occur, the manager's supervisor is alerted, because the company strongly believes that timely counseling is the best approach. "Putting the system in place before Kronos would have been administratively burdensome," Onesto says. "We want to focus on people instead of assigning points."

FreshDirect adopted the Kronos HR system in November 2005 and the Timekeeper attendance system this past summer. A pilot of the attendance point system will begin soon, once configuration is complete, Onesto says. Company goals include a significant decrease in absenteeism, more awareness of attendance policy, consistency among departments on attendance practices, and increased efficiency by reducing paperwork flow between HR and operations.

Another approach is used by Lathem Time, based in Atlanta, which has manufactured, sold, and distributed time-management products since 1919. Of course, Lathem Time uses its own products, but it also uses clever scheduling options to keep morale and productivity high at the 140-employee company. Nearly all manufacturing employees work 10-hour, four-day weeks, with Friday off. Other options include teleworking for office employees as well as carpools and vanpools to relieve the stress of getting to and from work in a city notorious for its traffic. Subject to manager approval and production needs, workers who miss a day during the week can make up the time on Friday.

"As a company, we're extremely committed to work/life balance," says Grace Perry, HR director. "It helps with retention of employees. To be honest, we weren't sure the four-day workweek would work, but the employees would hate to give it up, and there's been no loss in production." Lathem manufacturing employees already were working four nine-hour days and a half-day on Friday, so the change to a four-day workweek wasn't a stretch. Perry says that 85 percent of employees use at least one of the company's scheduling programs. "These programs cost the company very little in terms of dollars—just my time to administer them," says Perry, adding that the Clear Air Campaign helps keep the carpool and vanpool programs going.

Nila Rose, Lathem's inventory control manager, has been with the company for 20 years and works four days, telecommutes on occasion, and takes a vanpool to work. "On Friday, I schedule doctor appointments, dentist appointments, and other appointments," Rose says. "That way I don't have to take off work during the week. That's what everyone does, and it really has helped attendance."

The carpool and vanpool programs were started in response to last year's rapid rise in gasoline prices, but even as gas prices have dropped to saner levels, interest in the programs remains high, Perry says. Teleworking among office employees had been done on an ad hoc basis, but the company put policies around the practice to open it up to greater numbers of eligible employees.

Effectively managing absenteeism takes more than installing a biometric time clock so employees can't punch in for each other, says Jack Bastable, national practice leader in the health and productivity practice at CBIZ. The Cleveland-based business services company helps companies manage their technology, finances, and employees. A manufacturer also must consider the costs associated with employees who show up but whose ability is impaired because of physical or mental health or family concerns.

"You have to look at the total cost of poor health as it relates to absenteeism," Bastable says. Only

24 percent of total costs related to poor health come from doctor and pharmacy visits, according to industry benchmarks. The rest are considered indirect costs, including about 30 percent attributable to absenteeism and a larger percentage devoted to presenteeism. "Manufacturing employees are like athletes in a team sport," Bastable says. "They'll perform at a higher level with more quality and more productivity if they're firing on all cylinders."

CBIZ offers a number of health and productivity management services designed to help companies get a handle on and control employee costs related to health and injury risks, chronic illness, disabilities, absenteeism, presenteeism, and medical expenses. Programs include health and wellness programs, workplace changes that encourage healthy lifestyles, and economic incentives to participate in risk-reduction programs. "An employer wants to create an environment that really supports the health of employees in the workplace," Bastable says. Smoke-free workplaces promote a healthy lifestyle, as do healthy meal choices in the employee cafeteria. An auto parts supplier CBIZ works with has instituted a cardiac risk-reduction program that decreases medical deductibles for participating employees from \$2,000 to \$250. Rather than workforce management, CBIZ concentrates on what it calls total absence management, assisting employers in their understanding of how being an advocate for employees actually can reduce costs associated with absenteeism or presenteeism.

If manufacturers are going to get a firm handle on employee costs, any incentives or healthy workplace initiatives should be coupled with time and attendance systems to keep track, says Art Krozser, vice president of operations at CyberShift, the Parsippany, NJ-based provider of workforce management solutions. By using the scheduling module, a manufacturer can help ensure that it's getting the right person with the right skill set on the job for the lowest cost, Krozser says. According to benchmarking from the American Payroll Association, a company can save 20 percent or more on salary costs with a workforce management system, but even savings of a few percentage points can add up, depending on a company's total payroll.

A workforce management system also can help a company comply with federal Family and Medical Leave Act and Fair Labor Standards Act legislation, says Michael DiPietro, vice president for product marketing at Kronos. A best-practices mentality around human capital can be either proactive or reactive. Proactive steps include hiring the right employee, using self-serve tools to manage vacation and other time-off requests, forecasting absences so a company can plan accordingly, and putting policies in place surrounding leave time. A reactive step would be using software to manage schedules, taking employee skills and preferences and employer needs into account to ensure that skilled workers are at the right place and at the right time.

Firm policies around absences, tracked by a workforce management system, promote fairness among employees and possibly keep workers on the job instead of taking an unscheduled day off for a beach trip.