In last August’s *Research Insights*, I wrote about the impact of health-related absence on productivity. My key point there was that the cost of absence can be far greater than just wage replacement payments for lost time. A company also bears the “opportunity costs” associated with how it manages those absences – additional staff to have workers in reserve; the use of overtime or temporary help; the impact on the work performance of other team members; or revenue loss through production shortfalls. These opportunity costs become a pragmatic and theoretically sound way to quantify health-related lost productivity. For that *Insights* issue, I drew on IBI’s work and on that of Drs. Sean Nicholson of Cornell and Mark Pauly of the Wharton School, University of Pennsylvania.¹

But what about quantifying lost productivity associated with “presenteeism”—the impact of ill health on performance while people are at work? It seems a harder concept to grasp. After all, you can see the empty chair when someone doesn’t show up. At the same time, we all have experienced the reality of presenteeism, either directly or through our associates.

Drs. Nicholson and Pauly have turned their attention to measuring lost productivity through the opportunity costs of presenteeism-based lost time.² Sean has been kind enough to share with me a pre-publication copy of a *Health Economics* journal article³ on presenteeism lost productivity for this issue of *Research Insights*.

### Presenteeism Costs per Day
(Chronic conditions only)
Sean and his colleagues focused on 12 industries and 57 job classes through a survey of 804 managers. Rather than using a direct measure of presenteeism in this research (such as employee self-reported data), the researchers focused on how presenteeism affects work output by asking managers about the impact of presenteeism on a worker’s job input, on job effort and on ability to work (X, measured as a reduction in the % of hours worked per day). They then asked managers about the impact of X on the worker’s output, on the output of others and the costs of actions taken by the company to mitigate those effects (Y, measured as a % of the worker’s daily wage). They then modeled the relationship between X and Y, and calculated presenteeism multipliers by job class. Their analysis shows that the impact of presenteeism lost time increases as a function of the difficulty of replacing the worker’s missed work time, the time sensitivity of the job and the extent to which employees work in teams.

The graphic above displays presenteeism lost productivity as a % of daily wage for a typical chronic condition such as depression for the top 15 of the 57 occupations selected for this research. On the high end, for example, each time an engineer comes to work suffering from such a chronic health condition, the “real cost” of this episode is 75% of the engineer’s daily wage. This cost captures the reduction in the engineer’s own productivity that day, the impact the episode has on the engineer’s co-workers, potential lost sales, and other compensating costs the company incurs. On the low end of this group of 15 occupations, the real cost of labor for a cook due to presenteeism effects is 25% larger than wages. The research found similar results for acute conditions.

**Commentary.** This research extends the discussion of quantifying the impacts of presenteeism from simply estimating time loss to monetizing that time loss in a theoretically sound way. Combining presenteeism multipliers derived from these findings with lost-time data from research-validated employee self-reporting instruments and worker salary and benefits will help employers monetize the true cost of presenteeism.

This research also shows the need for more empirically focused work on the actual opportunity costs of both absence and presenteeism lost time. Understanding more fully how employers actually respond to presenteeism lost time – and the costs associated with those responses – will help employers make the business case for health and productivity management more forcefully to senior managers.

Finally, the research emphasizes the need to improve self-reporting tools for employers so that they are accessible, affordable and simple. This is the goal of IBI’s recent partnership with Dr. Ronald Kessler of Harvard Medical School.

---

2 The November 2006 issue of *IBI Research Insights* addressed the issues of the validity of employee self-reported data.
4 In my view we need to think of worker wage broadly: It should include both salary and benefits because that is the value the employer puts on that individual’s contribution to the firm.
5 IBI is beginning this work with Dr. Nicholson on a series of case studies on the true cost of absence for employers.
6 [http://www.ibiweb.org/news/articles/display/7027](http://www.ibiweb.org/news/articles/display/7027)