Why Presenteeism Matters
Corporate financial statements and annual reports highlight the effects of the rising cost of employee health care. It has become a substantial budget item that must be carefully monitored and controlled. Because it is a tangible cost, benefits managers and chief financial officers tend to focus these efforts on controlling health care costs. Yet a much larger employee expense and management opportunity lurks in the shadows — on-the-job productivity losses resulting from employee health problems, also called “presenteeism.”

It is estimated that the cost associated with presenteeism due to poor employee health is at least 2 to 3 times greater than direct health care expenses. While the estimated cost of presenteeism dwarfs the cost of health care, it does not receive the same level of scrutiny among employers preoccupied with controlling the direct costs of poor employee health. Presenteeism has shown up less on the employer radar screen because it’s not a measured expense tracked in corporate financial metrics and reporting. Every month employers pay for employee health care and they feel the pain. Checks are written, accounts debited and the expense is scrutinized and increasingly managed. Companies never write a check for presenteeism. Accounts are not debited and expenses are never created. Very few companies routinely track employee productivity metrics in a way that could capture the effects of presenteeism. Consequently, the effects on the cost of presenteeism may not be noticed even when improved employee health yields performance improvements that lead to increased revenue and profitability.

Comparing the cost of presenteeism to the cost of health care highlights the importance of workforce productivity, but comparisons have also been made to the cost of absenteeism. While estimates vary, some suggest that presenteeism accounts for three-quarters and absenteeism the other one-quarter of the cost of lost employee productivity. If this estimate proves to be accurate, employees physically at work but performing less than optimally would drive three times as much productivity loss as those who don’t even show up! Among employee health care costs, absenteeism, and presenteeism, presenteeism is the least understood.

Worksites able to reduce presenteeism can experience meaningful gains in employee productivity. To reduce presenteeism, it is necessary to first understand exactly what causes it. New understanding of presenteeism has been revealed in recent research published in the journal Population Health Management. The research was sponsored by the Health Enhancement Research Organization (HERO), which creates and disseminates employee health management research and tools to help employers manage employee health. This white paper reports key results and conclusions from this important study.

Cracking the Presenteeism Code
In 2008, Healthways, a well-being improvement company, and Gallup, a behavioral research firm, formed a partnership to monitor well-being among communities throughout the United States by conducting 1,000 daily interviews with a survey called the Gallup-Healthways Well-Being Index (WBI). Reports of results from the WBI are becoming commonplace in national media outlets like the New York Times and USA Today. A survey called the Well-Being Assessment was developed by Healthways to capture a comprehensive picture of well-being at the individual level. This tool, adapted from the community WBI survey, also measures employee presenteeism, health and well-being within an organization.

The Well-Being Assessment has been completed by numerous employers. In the new study cited above, data from three of these companies were used. These companies employed about 20,000 employees in diverse industries including insurance, health care and a customer service call center. Employees were made aware of and asked to complete the survey as a part of their benefits enrollment process.

Employees were asked a series of questions about health behaviors such as smoking status, dietary habits, and physical activity. Information was also collected on health risks such as body mass index (BMI), high blood pressure, high cholesterol, diabetes, depression, heart attack, asthma, cancer, chronic neck and back conditions that cause pain or knee or leg conditions that cause pain.

To measure presenteeism employees were asked a series of questions around specific productivity barriers within their workplace. Employee responses to these questions were tallied and used to create a total presenteeism score.
**Finding and Quantifying the Causes**

Presenteeism scores among these employees varied widely so, to help detect patterns, employees with a presenteeism score in the top 20 percent were considered to have high presenteeism. Multiple comparisons were made to understand how employee health behavior was associated with high presenteeism. These comparisons help clarify the relationship between employee health and presenteeism. For example, smokers were 28% more likely to have high presenteeism than non-smokers.

Figure 1 shows the increased likelihood of high presenteeism among employees with three health behaviors. In addition to higher presenteeism among smokers, employees with an unhealthy diet were 66% more likely to have high presenteeism than those who regularly ate whole grains, fruits, and vegetables.

Employees who didn’t exercise very much were 50% more likely to have high presenteeism than employees who were regular exercisers. These findings demonstrate that poor health behaviors are strongly associated with high levels of presenteeism. In short, unhealthy individual lifestyle choices may result in substantially higher levels of lost productive work time.

*Figure 1. Increased rates of high presenteeism among employees who smoke, don’t eat healthy, or don’t exercise regularly.*

Poor health behaviors eventually lead to elevated health risks and chronic diseases.

**Figure 2. Increased rates of high presenteeism among employees with chronic pain, chronic disease, or biometric risk factors**

These results confirm several ideas that have previously been assumed but not directly tested. Presenteeism is associated with poor health behaviors as well as elevated health risks and the presence of chronic disease. This information is important because the number of employees with excess body fat, poor diets, and sedentary lifestyles has never been greater. The rate of diabetes in the U.S. workforce has also risen to unprecedented levels. The increases in this and other lifestyle-related chronic diseases suggest that the cost associated with presenteeism and poor employee health is likely to grow in the absence of effective strategies to reverse these trends.

**The Way Forward**

Employees who fail to receive a flu shot may get lucky and not get the flu. But those who do get the flu may miss some days of work or, alternatively, will be less productive at work and spread this illness to co-workers. Getting a flu shot can prevent the flu and associated lost productive time. A flu shot is relatively easy to get, inexpensive, and can prevent presenteeism. This is just one example of how a worksite can implement an employee health management strategy that maintains employee health and improves productivity. Employee health management or wellness programs can have a direct impact on presenteeism and are the best practical solution to curb the hidden costs of presenteeism.
Consider the following evidence for the potential value of health management in reducing presenteeism. Employees in this HERO research were asked to respond to a series of questions that referenced employee health programs. Those who reported it was difficult to exercise during the day were 96% more likely to have high presenteeism. Those who reported it was difficult to eat healthy at work were 93% more likely to have high presenteeism. Employees who reported that their employer had little interest in supporting employee efforts to becoming more physically active were 123% more likely to have high presenteeism. Even more striking, those employees who indicated that their employer was not supportive in helping them become emotionally healthy were 320% more likely to have high presenteeism! These results suggest that presenteeism is not only connected to employee health behavior, health risks, and chronic diseases, but that employer efforts to support healthy behaviors provide a powerful opportunity to reduce high presenteeism.

There is ample evidence that properly implemented health management (i.e., wellness) programs can improve employee health and reduce employee health care costs. The evidence that these programs can also reduce employee presenteeism is growing. Despite this substantial and growing body of evidence, many employers are still reluctant to fully implement wellness strategies. In some cases, management remains skeptical that there will be a tangible improvement in health if they make this investment. This is a particular concern among leaders of small and mid-sized companies, who may question whether effective wellness strategies reported by larger employers are practical for them. Fortunately, HERO and others have begun to demonstrate that small companies can create leadership-driven wellness efforts that improve employee health.

Leadership reluctance is also based on the fact that “companies don’t write checks for presenteeism.” Presenteeism is a hidden cost that contributes to financial reports as increased revenue or profitability only when it is prevented. Even then, the dollar value of this prevention is invisible. Key to this issue is the fact that standardized, well-accepted tools for measuring presenteeism and workforce productivity have not yet achieved broad adoption in businesses. The adage that “you cannot manage what you don’t measure” is an unfortunate reality when it comes to presenteeism. Most employers do not yet measure presenteeism in an accurate, consistent way. Because the high cost of presenteeism isn’t measured, it isn’t known or understood by most employers and, therefore, this very real but invisible cost provides little impetus to start or expand employee health management efforts.

Using objective, systematic tools to measure presenteeism is essential to understanding the magnitude of the issue and informing strategies that can be put in place to manage this significant productivity problem. With a science-based cost estimate in hand, business leaders can begin to have constructive dialogue about implementing or enhancing employee health management strategies. This may help put employee presenteeism on the corporate financial radar and give employers a tangible metric on which to base sound business decisions.

Conclusions

Employee health management programs have historically focused primarily on reducing health care costs. This research highlights that the benefits of healthy employees extends beyond reducing health care cost trends to improving employee productivity. Assuming the implementation of health care reform moves forward, U.S. companies will have the opportunity beginning in 2014 to continue providing employee health care benefits or opt to have their employees obtain their own individual health insurance in health care exchanges. Some have suggested that this shift may cause employers to lose the financial incentive to justify employee wellness programs. However, this research demonstrates that the substantial estimated cost of presenteeism won’t go away when insurance exchanges become active. Employees will not suddenly become healthy and stop suffering lost productive time due to poor health. Presenteeism is here to stay, and it will only get worse if current trends continue. The one viable way to improve employee health and lower presenteeism is to implement an effective health management strategy that engages employees and supports them in improving their health.

References: