Employee Absenteeism: The Cyclical Component

Deborah R. Robin

Lehigh University

Follow this and additional works at: http://preserve.lehigh.edu/perspectives-v01

Recommended Citation
http://preserve.lehigh.edu/perspectives-v01/5

This Article is brought to you for free and open access by the Perspectives on Business and Economics at Lehigh Preserve. It has been accepted for inclusion in Perspectives on business and economics by an authorized administrator of Lehigh Preserve. For more information, please contact preserve@lehigh.edu.
EMPLOYEE ABSENTEEISM: THE CYCLICAL COMPONENT

Deborah R. Robin

I. INTRODUCTION

Absenteeism is a serious problem confronting United States management. On the average, 400 million work days in a given year are lost in this country due to absenteeism, and estimates by Steers and Rhodes (1980) suggest that this behavior costs U.S. employers approximately $26 billion a year. This figure includes salaries and benefits which are paid the absent employees as well as the cost of temporary replacements and the estimated loss of profit from decreased productivity.

A number of studies have isolated various factors as causes of absenteeism. Steers and Rhodes (1978) have pointed out that the level of dissatisfaction with work is a major reason behind the decision to be absent. Other studies have examined the function that compensation packages play in dissuading employees from attending work (Chelius, 1981; Deitsch & Dilts, 1981).

This paper will first review various studies of the causes of absenteeism and will then focus on the effect of the business cycle on absenteeism. Past research has virtually neglected this second topic. It is well-known that when employees are faced with a bleak labor market situation, they are more likely to remain in their present jobs. Voluntary quits, consequently, decrease. One of the principal findings of this paper, however, is that during periods of high unemployment, the level of absenteeism tends to rise. I will argue that one of the reasons for the rise is that employees who are dissatisfied with their jobs will use absenteeism both as a psychological "escape valve" and as a means for searching for new employment without quitting their current jobs.

II. CAUSES OF ABSENTEEISM

Absenteeism covers a wide range of behavior—from reported sick leave to simply the failure to show up for a scheduled day of work. For convenience, I shall separate
all absences into two categories, excused and unexcused absences.

Excused absences are those which management has already planned for through scheduling and are included as part of an employee's compensation package. Examples of excused absences are vacation time, sick days, and personal days. Such allowable time off may comprise as much as five percent of total time worked in some companies.

The second class of absences—the subject of this study—are those absences for which management has not planned. Such absences are in excess of the hours allowed for absenteeism and are, therefore, unexcused. Previous studies have identified the following major causes of unexcused absenteeism: problems with the structure of the compensation package, worker dissatisfaction with the job, and the state of the economy. Each of these causes will be discussed in the sections below.

A. Structure of the Compensation Package

Deitsch & Dilts (p. 52) claim that excessive absenteeism may simply be “rational employee response to contractually structured and/or administered incentives to stay away from the job.” Under existing fringe benefit packages, manufacturing employees in the U.S. received in 1981 an average of $230 per week in compensation benefits over and above their wages, regardless of the number of hours worked. This “fixed income” has the effect of decreasing the marginal gain derived from working a full week. For example, if one assumes that an average employee receives a wage of $10 per hour for a 40 hour work week, the employee would then receive wages of $400 plus the $230 in benefits, a total compensation package (wages and fringe benefits) of $630 for the week. If this same individual chose to work just 35 hours, however, he would still receive $580 in total compensation. The five hours extra of leisure—a 13% decline in hours worked—did not cost him 13% of his total compensation. Rather, his total compensation declined by only 8% due to the large fixed portion of his compensation package. The effective rate of compensation per hour, therefore, falls as one’s work week increases. Consequently, as the fixed portion of an employee’s compensation increases, the cost to the employee of taking additional time off from work decreases (Chelius).

Empirical evidence supporting the proposition that the structure of the compensation package may affect absenteeism can be found in a comparison of absentee rates between union and nonunion employees. Unionized workers traditionally enjoy relatively higher levels of fringe benefits than do nonunion employees (Taylor, 1979). The fact that unionized employees also possess significantly higher absentee rates (3.0%) than nonunion employees is, therefore, not surprising since the structure of unionized employees’ compensation packages decreases the incentive to work an additional hour.

In addition, it should be noted that the structure of the average compensation package places an employee in an ambiguous situation. On the one hand, management may tell an employee that if he is absent too often, he risks losing his job; on the other hand, the implicit message which an employee receives from
the structure of the compensation package is that absenteeism is accepted (even expected) by an employer because of the built-in incentives toward absenteeism (Hayes, 1979). The high dollar value of the fixed portion of the compensation package may make this unstated but still powerful message a persuasive factor in the employee’s decision whether or not to attend work, even when the threat of disciplinary action exists.

B. Job Satisfaction
On the basis of cues from his environment and from his own self-perception, an individual defines what he ideally expects from his work situation. In turn, the degree to which the actual job conditions are able to fulfill his expectations determines the level of satisfaction experienced. This relation is important because conventional wisdom holds that an employee who derives great satisfaction from his job will be most likely to have the best attendance record. Since such an employee is believed to gain pleasure from his job, it is thought that he would, therefore, desire to maximize the satisfaction or “utility” gained from working by attending work on a regular basis. Although this opinion has recently come under attack by researchers (Steers & Rhodes, 1978; Nicholson et al., 1976; Hammer et al.; 1981), it has been the major theory over the past twenty-five years explaining absentee behavior.

More specifically, most research based on job satisfaction theory shows that the level of satisfaction experienced in a job is a function of job variety, autonomy, and atmosphere. The lack of variety and control over job content has been consistently shown to have negative effects on satisfaction, while more consideration by managers and the greater use of participative management has been found to improve the level of employee satisfaction. Another important (but often overlooked) factor is the social aspect of work. An employee usually prefers a job that permits both interaction and the development of peer relationships (Cohen, 1977). A study by Weiner (1980), reveals a statistically significant association between absenteeism, on the one hand, and the level of satisfaction with the amount of pay, with the competitiveness of pay scales, and with pay practices on the other. Discrepancies between expectations and reality with respect to any of the above factors has been found to be associated with decreased job satisfaction and increased absenteeism.

C. State of the Economy
A third major factor influencing the level of unexcused absences is that of general economic conditions. Surprisingly, the influence of this factor on absenteeism has been virtually neglected in past research. During periods of economic recession as the job market contracts and unemployment rises, an individual who is employed may be understandably hesitant to leave his present job in search of a new one, at least more so than he would be in times of economic prosperity. The decline
in voluntary quits during such periods, however, does not necessarily mean that an individual is any more satisfied with his position. It simply indicates that he fears the consequences of quitting. Instead, he is more likely to remain in his present job and may use absenteeism either as a way of “coping” or as a means for seeking out new employment opportunities (Mobley, 1982). The use of absenteeism as a “coping” device provides a dissatisfied employee with needed time away from his job—time in which he can relax and reevaluate his situation. Absenteeism as a means of providing the necessary time for job search is based upon the fact that pursuing new employment is a time-consuming and often exhausting process.

With a paucity of available jobs, therefore, absenteeism may be the only feasible alternative for a discontented employee. High levels of absenteeism may thus be the rational response of dissatisfied workers unable to change jobs because of a bleak employment outlook.

III. THE ECONOMIC DETERMINANTS OF ABSENTEEISM

In this section, we will examine further the relationship between absenteeism and economic conditions through the use of statistical analysis. Displayed in figure 1 are the trends in two unemployment rate measures, the quit rate, and the rate of unexcused absences for the twenty-five year period from 1957 to 1981. The reported unemployment rate for any given year is determined by dividing the number of individuals out of work (but actively seeking work) by the total size of the labor force. Another rate, the “true unemployment rate,” is also depicted in figure 1. This rate is calculated by subtracting from the unemployment rate just discussed the “natural” or full employment-unemployment rate. The resultant “true rate” is thus a measure of the joblessness created by the specific stage of the business cycle over and above the joblessness resulting from frictional and structural factors. The other rates depicted in the figure are the quit rate, which expresses the number of people per one hundred who have voluntarily terminated their employment, and the rate of unexcused absences, expressed as a percentage of total absences.

It is obvious from examining figure 1 that the four series are correlated. The relationship between unemployment and quits seems to be an inverse one (one rises when the other falls), while the relationship between unemployment and absenteeism appears to be positive (both rise and fall together).

Evidence from multiple regression analysis based on the data presented in figure 1 shows more clearly the strength of the association and further supports the arguments advanced in the previous sections. In equation [1] of table 1, the rate of unexcused absences has been regressed on the unemployment rate and on a time variable for the period 1957 to 1981. The sign of the regression coefficient for the unemployment rate confirms that a positive correlation exists between absences and unemployment. Moreover, the coefficient is statistically significant at the .05 level of significance. Interpreting the coefficient, one can say that
a one percentage point change in the unemployment rate is associated with a change of approximately six-tenths of one percentage point in the unexcused absenteeism rate.

Table I
Determinants of the Absentee Rate and the Quit Rate: Regression Results, 1957-81

<table>
<thead>
<tr>
<th>Dependent variable</th>
<th>Independent variables</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Constant</td>
</tr>
<tr>
<td>1) Rate of unexcused absences</td>
<td>13.93</td>
</tr>
<tr>
<td></td>
<td>[6.36]**</td>
</tr>
<tr>
<td>2) Quit rate</td>
<td>2.97</td>
</tr>
<tr>
<td></td>
<td>[11.58]**</td>
</tr>
</tbody>
</table>

Notes: t-ratios in brackets
* statistically significant at .05 level, one-tailed t-test
** statistically significant at .01 level, one-tailed t-test

In equation [2] of table 1, the quit rate has been regressed on the unemployment rate and, again, on a time variable for the same period. The quit rate is seen to be negatively correlated with the unemployment rate, and the coefficient is statistically significant at the .01 level. The magnitude of the regression coefficient indicates that a one percentage point rise in the unemployment rate is associated with a decline of approximately three-tenths of one percentage point in the quit rate.

The above statistical analysis, therefore, confirms what we have argued in the previous sections of the paper: that the level of unexcused absences generally rises during periods of economic downturns, while the number of quits tends to decrease. It might be informative, however, to focus on a couple of individual years to gain a better understanding of the variables and the associations discussed. The years 1958 and 1973 have been selected for the purpose of illustration.

In 1958, while the United States was expanding its political boundaries, the economy was settling into the depths of a deep recession. The unemployment rate reached its highest level since 1941 (6.8%). At the same time, quits declined by 35.7% from the previous year, from 1.4% to 0.9%. Concurrently, the absenteeism rate rose by 1.4 percentage points between 1957 and 1958. People were more likely to remain in their jobs, but they took a greater amount of time off from work as unemployment rates peaked.
Figure 1

Unemployment, Quit, and Absenteeism Rates
1957-1981


In 1973, the unemployment rate fell to 4.9%. With jobs relatively easy to obtain, people were more willing to leave their present jobs and search elsewhere for employment. In this year, the quit rate hit an all-time high of 2.8% while the number of unexcused absences rested at 16.3% of all absences. A strong labor market thus enabled individuals to search for new work without the necessity of retaining their old jobs.

As the above examples clearly show, the relationship between unemployment and absenteeism is an inverse one, while a positive association exists between absenteeism and quits. Both relationships support the contention that absenteeism serves as the rational response of dissatisfied workers who are unable to change jobs because of a sluggish labor market.

IV. EFFECTS OF ECONOMY-INDUCED ABSENTEEISM

Absenteeism has been termed the “functional equivalent” of quitting for a day (Bowen, 1982). An employee who leaves the workforce for any given period of time is not only physically separated from the work place and from his co-workers, but also becomes emotionally isolated from the organization and its goals. Such an employee, unable to leave a job for which he may not feel suited, may experience great levels of dissatisfaction. Decreased morale and interest levels, coupled with high rates of absenteeism, may in turn lead to poor work performance.

Excessive absenteeism, therefore, results in a decline in productivity. Since human resources are not efficiently utilized, a firm’s costs of production are higher and profit margins narrower than they would be otherwise. Faced with higher costs, companies may find themselves less competitive and more susceptible to economic downturns. In other words, a high unemployment rate for the general economy may induce higher levels of absenteeism which, in turn, can aggravate even further the problem of unemployment. Unexcused absences thus have the potential for compounding serious problems as their effects spread throughout the economy.

V. CONCLUSIONS

As we have seen, the structure of most compensation plans diminishes the marginal benefit derived from working and often makes absenteeism the logical choice for the dissatisfied employee. An obvious solution is to alter the structure of compensation packages to reflect the number of hours worked rather than one’s employment status. Also, in some cases management has found it helpful to work closely with unions to develop incentives to increase attendance, such as offering bonuses, profit sharing and award programs (Zippo, 1982).

Still another way in which management might address the problem of absenteeism is through the improvement of employee satisfaction. Attempts which
have been made to increase job satisfaction include: 1) the implementation of job enrichment programs; 2) improvement of company-worker relations; and 3) clarification of job expectations. Other attempts made to improve worker satisfaction have centered on the work environment itself. By reducing job stress, providing employee career counseling, and building work group cohesiveness, employers have been able to greatly improve the attitudes of their employees toward work (Steer & Rhodes, 1980).

Although there are many ways to reduce the level of absences resulting from the structure of the compensation package and the low levels of employee satisfaction, very little can be done by management to combat the type of absenteeism which results from an economy in a state of recession. Although not all movements in the level of unexcused absenteeism can be explained by the fluctuations in the business cycle, one should understand that this type of absenteeism is the most difficult to remedy. Although stricter attendance requirements may reduce absences “on paper,” such policies often simply increase “on the job absenteeism,” a situation where an employee attends work, but is not productive in his position. Increased disciplinary measures, therefore, may be an ineffective means of alleviating this type of absenteeism (Nicholson et al., 1976).
REFERENCES

Hayes, James L. "Absenteeism: The Death of Productivity." American School and University, September 1979, 52, p. 20.