

The background image shows a modern office space. On the left, a small potted plant with green leaves sits on a white surface. In the center, a black ergonomic office chair with a mesh back and adjustable armrests is positioned. To its right, another similar chair is partially visible. A large window in the background lets in bright light, and a desk with some items is visible on the right side.

# Guide for Total Cost of Absence Reviews

2023







# Introduction

A [Total Cost of Absence Review](#) enables you to participate in the development and provision of a program so you can understand the:

## 01

Return on investment of improving the health and wellbeing of your workforce.

## 02

Inclusion of injured or unwell employees back into your workforce.

Absence and wellbeing is on the lips of every business at the moment. In fact, absenteeism cost Australian businesses \$24.2 billion in lost productivity in 2022, according to a Frost & Sullivan report. Australian businesses also spent \$1.3 billion on wellbeing initiatives that were not focussed on areas of real need.

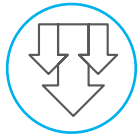
Businesses are increasingly unable to understand the return on investment either through reduced costs or improved workforce participation.

# What is a Total Cost of Absence Review?

Lockton's Total Cost of Absence Review is designed to help organisations understand the true financial impact of absence within your business, incorporating:



## SICK LEAVE



## REGRETTABLE TURNOVER



## OPPORTUNITY COSTS WITHIN INSURANCES AND OTHER LEAVE TYPES.

Conducting a deep dive analysis of your data, you'll receive an overview of the absence profile of your business.

You can then build a financial business case to identify the return on investment from inclusion and wellbeing programs designed to target the areas of greatest need within your business.

Lockton research shows by comparison, the cost of workers' compensation is typically less than 10% of the total cost of absence incurred by an organisation, yet this spend is what often gets the most attention.

By identifying these other costs, we will develop a business case demonstrating the financial return on investment of intervention through the introduction of programs which will reduce the amount of absence, for example unplanned leave.

## WITH HEALTHY BUSINESS & LOCKTON, YOU CAN:

- Identify the key drivers of absence within your business.
- Consider the age and injury demographics of your business to provide an in-depth analysis of what is happening in your business.
- Understand the increased incidence of illness and injury (many not reported), safety concerns.
- Realise recruitment issues; vacancies, absenteeism, rising recruitment costs, increasing turnover.

Many of our clients have adopted an integrated approach to address business challenges with platforms related to the following points:

- Culture change and process improvement
- Talent management: attraction, retention, turnover
- Coaching/mentoring: staff and management

### Practical tip:



It is important to identify specific drivers of a program prior to embarking on it. Healthy Business and Lockton will work closely with you to understand your priorities in initiating this project so that we can design a program that most effectively meets your needs.



# Why is it important to understand absence?

**IN ITS MOST SIMPLISTIC FORM, FOR A BUSINESS TO FLOURISH, ITS PRINCIPAL REQUIREMENT IS TO:**

- Engage and retain the right staff.
- Provide a culture that allows staff to flourish and grow.
- Have a workforce that turns up to work every day, refreshed, engaged and able to undertake the work they have been employed to do.

Nevertheless, academic research tells us that on average employees are productive on average three hours per day, assuming they are at work.

Increasing levels of sick leave may be an indicator of increasing work pressure or a culture of avoiding work whenever possible, but how can you tell if there is a problem?

Obtaining a total picture of absence within your workforce highlights areas where further investigation is necessary and to help identify the issue:

**THE PRIMARY AIM IS TO:**

- Understand where the key drivers sit within your overall absence picture.
- Identify cultural issues which may be driving poor attendance outcomes.
- Identify skills drainage from your business.

Program objectives vary between different organisations. Healthy Business and Lockton will work with you to define the objectives for this work.





# What services does the Total Cost of Absence Review provide?

Healthy Business and Lockton will provide the following services:

- Quantify the total cost of absence in your business.
- Create the business case for implementing programmes to improve these areas.
- Presentation of data analysis and recommended health and wellbeing solutions.
- Monitoring of financial and health and wellbeing outcomes against forecast KPIs.



# What is the process?

The first phase is to understand the cost of absence to your business and identify where opportunities to improve exist. Gathering your organisation's HR information, Lockton will undertake an analysis of your data to provide an insight into your average employee and what the primary factor is that is driving your absence outcomes.

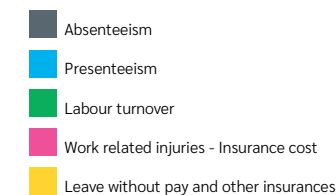
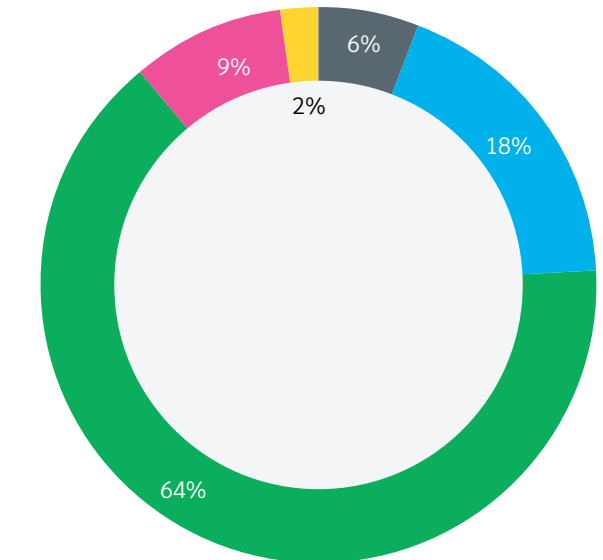
Utilising your organisation's injury data will help to build the profile of your employees and their probability of injury in the coming year. This helps to identify areas for safety and wellbeing initiatives.

Finally, a business case will be developed which will identify and support the return on investment by reducing these key drivers in your business.

Lockton will workshop this with your employees to obtain agreement on what can reasonably be achieved during the course of any programs.

These three elements will drive discussion in your business about the importance of improved workforce participation and ways in which you can design and implement programmes specifically intended to improve the wellbeing and attendance of employees.

WELL-BEING AND THE COST OF ABSENCE.  
ASX-LISTED COMPANY



Absenteeism	\$2,055,059	6%
Presenteeism	\$6,165,177	18%
Labour turnover	\$21,575,551	64%
Work related injuries - Insurance cost	\$3,074,369	9%
Leave without pay and other insurances	\$716,376	2%
TOTAL:	\$33,586,532	100%

# Activities and Deliverables

Activity	Resources	Output	Deliverables
Collection of absence and injury data	Lockton will provide an overview of data required from your organisation to allow the review to be undertaken	A data collection framework will be provided to you upon appointment to ensure that information is gathered and provided in a manner that will allow the review to be undertaken.	Summary report produced and proposed future interventions discussed.
Present full analysis, business case & recommended health and wellbeing solutions	Healthy Business & Lockton facilitators	Present findings of the data review to your nominated representatives. Agree targets to improve outcomes and to set the estimated return on investment from any ongoing programmes	Facilitate session to assist you to understand the data and to agree percentage reduction targets for the business case  Agreement and implementation plan.

# Healthy Business partnership with Lockton

Healthy Business works with organisations to highlight the areas they are currently incurring significant costs, which could be mitigated through an effective health and wellbeing solution.

Expert analysis of company data by Lockton can identify the issues, Healthy Business can then work with stakeholders to develop solutions that will improve the bottom line.

It does this by rolling out wellbeing programs designed to reduce the rates of absenteeism that increase productivity, engagement and morale.

## Talk to our team

Book a free consultation on employee absence or undertake our Employee Total Cost of Absence Review with a guarantee of utmost confidentiality.

Please contact your Healthy Business representative or Karli Fountain, Business Development Manager:

### Karli Fountain

Business Development Manager

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