TeamSense

The Costly Impact of Absenteeism on Manufacturing Operations

Imagine this: It's the start of a new day. You're an operations supervisor and you've just rounded up your team for the first shift's start-up meeting to run through the day's activities and production goals. You look around the room. Everyone has reported to work on time, and now you're off to the races. Life is good.

Now imagine: You're running the same shift start-up meeting, but you notice a few key team members are missing from the attendance roster. No one's heard anything from them. You now need to call HR to confirm their absence, and then quickly figure out who can cover for them. The clock is ticking and your production lines are on standby.

No operations leader wants to be stuck in the second scenario, but the reality is that employee absences are inevitable. In fact, one in ten hourly workers in the U.S. is absent when they're scheduled to be at work, according to research from Circadian.

The manufacturing industry in the United States employs more than eight million hourly workers to fulfill specialized roles and maintain planned production schedules. While some amount of absenteeism is normal for any company, chronic absenteeism of skilled team members can make it impossible to achieve operational excellence. One study even found that once absenteeism reaches 10%, every additional percentage point increase reduces productivity by 0.25 percentage points. In the manufacturing industry as a whole, estimates suggest an annual cost of $2.8B of lost productivity due to absenteeism.

$2.8B
Cost of lost productivity due to absenteeism in the manufacturing industry

In this eBook, we dive into how chronic, unplanned absenteeism is a costly impediment to manufacturing productivity and efficiency, plus how companies today are making huge leaps to improve absenteeism with better systems and processes.

# Types of workplace absences: planned and unplanned

Workplace absences can generally be categorized as either planned or unplanned absences. Planned absences are scheduled and approved by managers and supervisors ahead of time. These include paid time off, vacation, and unpaid leaves of absence covered by The Family and Medical Leave Act (FMLA). Unplanned absences occur because of unforeseen circumstances, like family emergencies, illness, injuries, or personal matters.

The Society for Human Resource Management (SHRM) defines underlined excessive absenteeism as two or more occurrences of unexcused absence in a 30-day period.

Planned Absences

Planned, or scheduled, absences have been requested and approved by managers beforehand, and can include:
· PTO
· Vacation
· FMLA
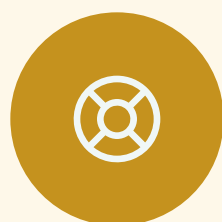
Unplanned Absences

Unplanned absences occur due to unforeseen circumstances and can include:
· Family emergencies
· Illness
· Injuries
· Personal matters

💡 What is a "No Call, No Show"?

A "No Call, No Show" absence occurs when an employee does not show up for a scheduled shift and fails to notify their employer. This type of unplanned absence is particularly disruptive to normal operations and can leave the rest of the team scrambling for coverage. "No Call, No Shows" have the potential to cause downstream impacts to throughput, quality, and team morale.

The high cost of unplanned absenteeism

Unscheduled absenteeism costs manufacturing operations more than you might realize —about $3,600 per hourly employee per year. These include both direct and indirect costs.

Direct labor costs from overstaffing and overtime pay

Chronic unplanned absenteeism causes overstaffing and overtime pay, both of which are baked into direct labor costs.

$3,600
Annual cost per employee due to absenteeism Read our blog post on the Impact of Absenteeism on Manufacturing

When managers and supervisors are unable to predict which employees are in or out for the day, they need to prepare for worst case scenarios. This causes leaders to routinely overstaff facilities to ensure that there's no downtime and risk of failing to meet production targets.

Overstaffing costs are insurance against absenteeism

📖 Case Study: Third-Party Logistics Company (3PL) saves $476K in Overstaffing Costs

Unplanned absences were a regular occurrence for one multinational 3PL company.

Because of this, it had to staff one site with three more employees each day, costing them $992.56 per shift. After implementing TeamSense, they improved attendance predictability and no longer had to overstaff, saving $476,242 per year. Read the full case study

If overstaffing is insurance against absenteeism, overtime pay represents the fines for staffing incorrectly. Backfilling shifts requires pulling in other team members to help cover for absent coworkers. These last-minute staffing changes cause plant general managers to accrue overtime pay, which is typically paid out at a higher rate than standard hourly wages.

Overtime pay are the fines of absenteeism

⏱ Reducing Overtime Requirements

One TeamSense customer, prior to implementation, had planned and budgeted for an anticipated 10% of overtime hours per month. After adopting TeamSense, its absenteeism rates decreased. Anticipated overtime hours dropped by two to three percentage points, which saved the company $62K a month.

Indirect costs: harder to count and anticipate

The indirect costs from excessive absenteeism vary depending on the type of organization, and can range from minor to severe when it comes to hitting throughput and production volume targets.

> " The first hour of a shift is our golden hour. You've got to hit your production rates that first hour, otherwise you're behind the rest of the day and it's difficult to catch up. TeamSense enables us to get a line of sight on attendance early on so that we can fill the gaps and get running right off the bat.

LuAnn Shafer

HR Manager, The Pella Corporation

Training replacement workers

Manufacturing production lines are staffed with highly specialized roles, so finding backups to fill empty shifts isn't always a simple task. Replacement workers need to be trained on the specific skills required to do a particular job, which takes time and effort. Research from SHRM and Kronos reported productivity losses of 36.6% due to replacing workers for unplanned absences.

Increased workloads for other team members

There's an indirect cost when employees have to work overtime to cover for absent coworkers. It can not only directly affect productivity as mentioned above, but risks safety, quality of work, and employee morale as employees have to work harder and longer to make up for absences.

Higher administrative costs

The overhead costs of managing attendance shouldn't be overlooked. When an employee calls off work for the day, there's a long list of tasks that HR teams and managers have to do for each absence. These include alerting the right people in the

organization, recording the absence in time and attendance systems, and bringing in backup employees. Many of these manual tasks fall on supervisors, pulling them away from their main objective: meeting production targets. Time spent talking to employees who are calling off or documenting absences is time they are not focused on ensuring that the line is running or resolving unexpected production issues.

> **"** The sooner we know about an absence, the better we can plan for it. TeamSense allows us to mitigate the impact of an absence by giving managers immediate, clear information so no one is scrambling to figure out the schedule. We can find coverage quickly and prevent downtime..

PARKWAY | **Cassandra Cammons**
HR Manager, Parkway Products

Absenteeism as a leading indicator of attrition

Absenteeism in and of itself is a major issue for manufacturing organizations that are striving to improve operational efficiency. Not only is it a costly contributor to operating expenses, it can also be a leading indicator of an even larger concern—employee attrition.

Studies over the years have established a strong connection between employee attendance and job satisfaction. Happy employees show up for work and are generally more engaged and productive. The opposite holds true as well—high absenteeism can be an indicator of unhappy employees. And when employees are dissatisfied with their work, they're more likely to leave the organization.

Considering growing labor market challenges in the manufacturing industry, retaining employees should be a top priority for plant managers.

Reeling in absenteeism with TeamSense

Combating absenteeism long term may feel like a gargantuan effort—but the good news is that it doesn't have to be. Putting the right processes and technology in place can lead to quick wins.

Today, leading manufacturers are turning to TeamSense to help solve their absenteeism problem. By giving hourly employees, supervisors, and HR managers the right tools to automate call-offs and manage absence tracking and communication, TeamSense effectively changes behavior, significantly improving attendance accountability and reducing absenteeism.
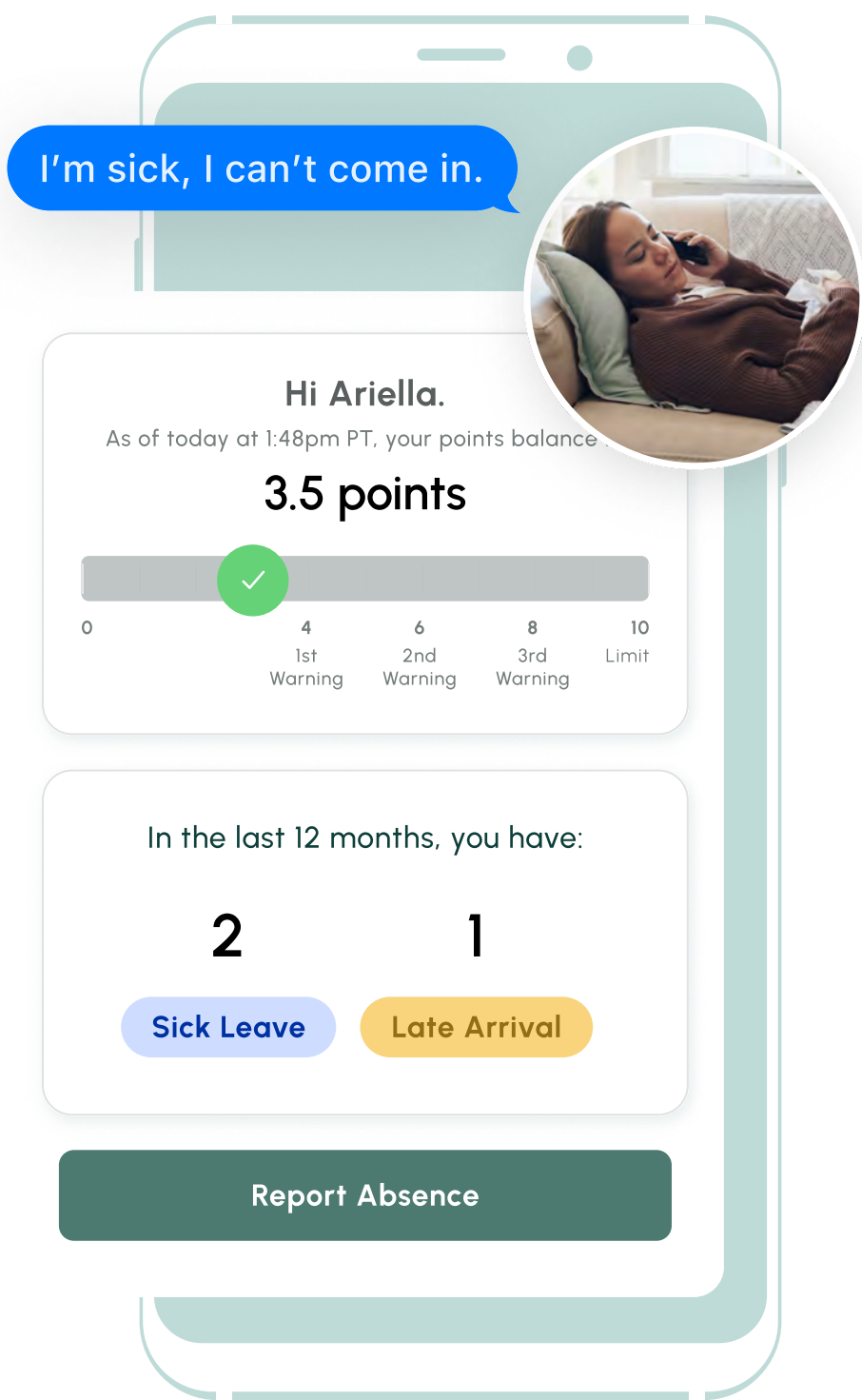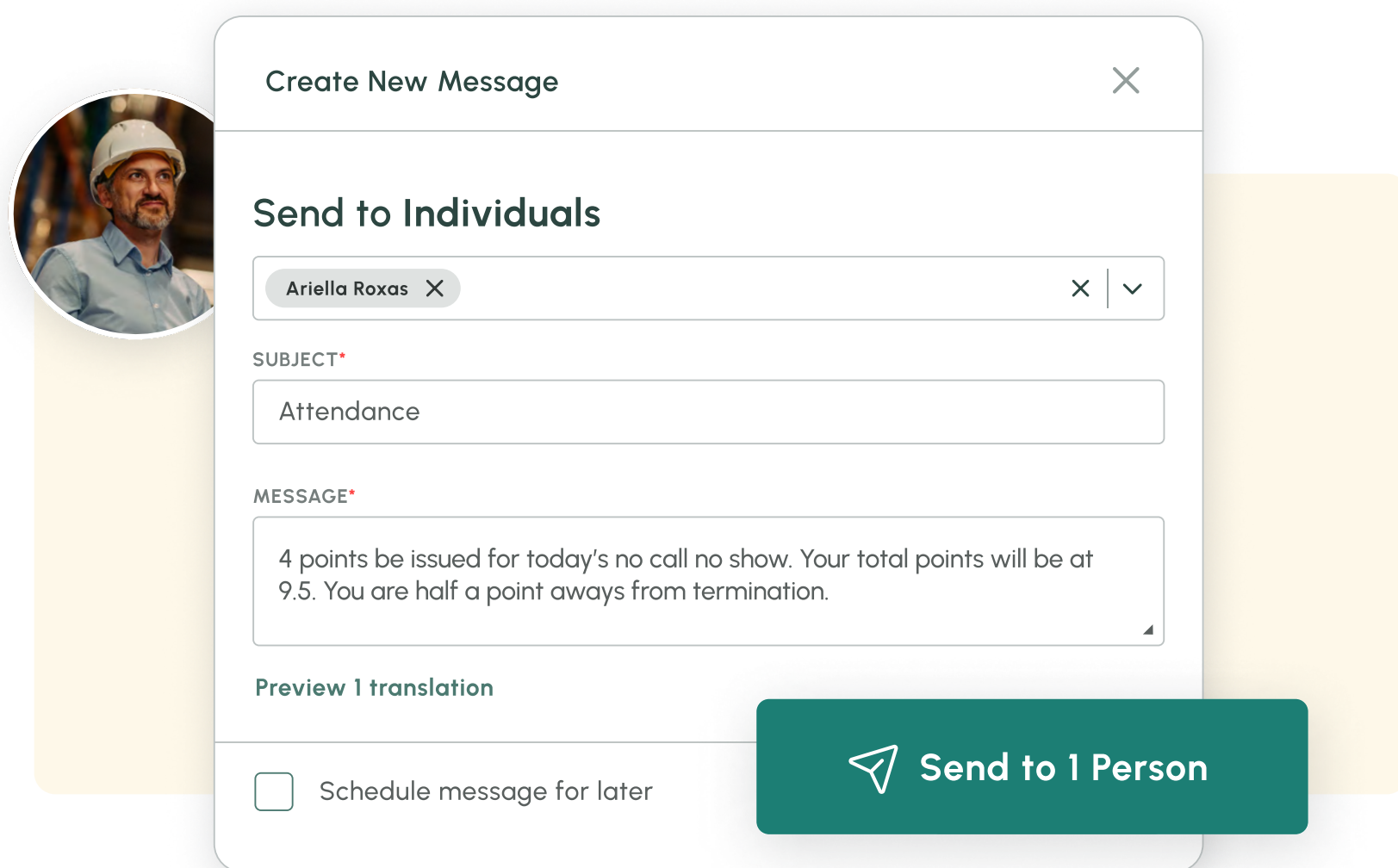

Employees call-off with text, voice or email
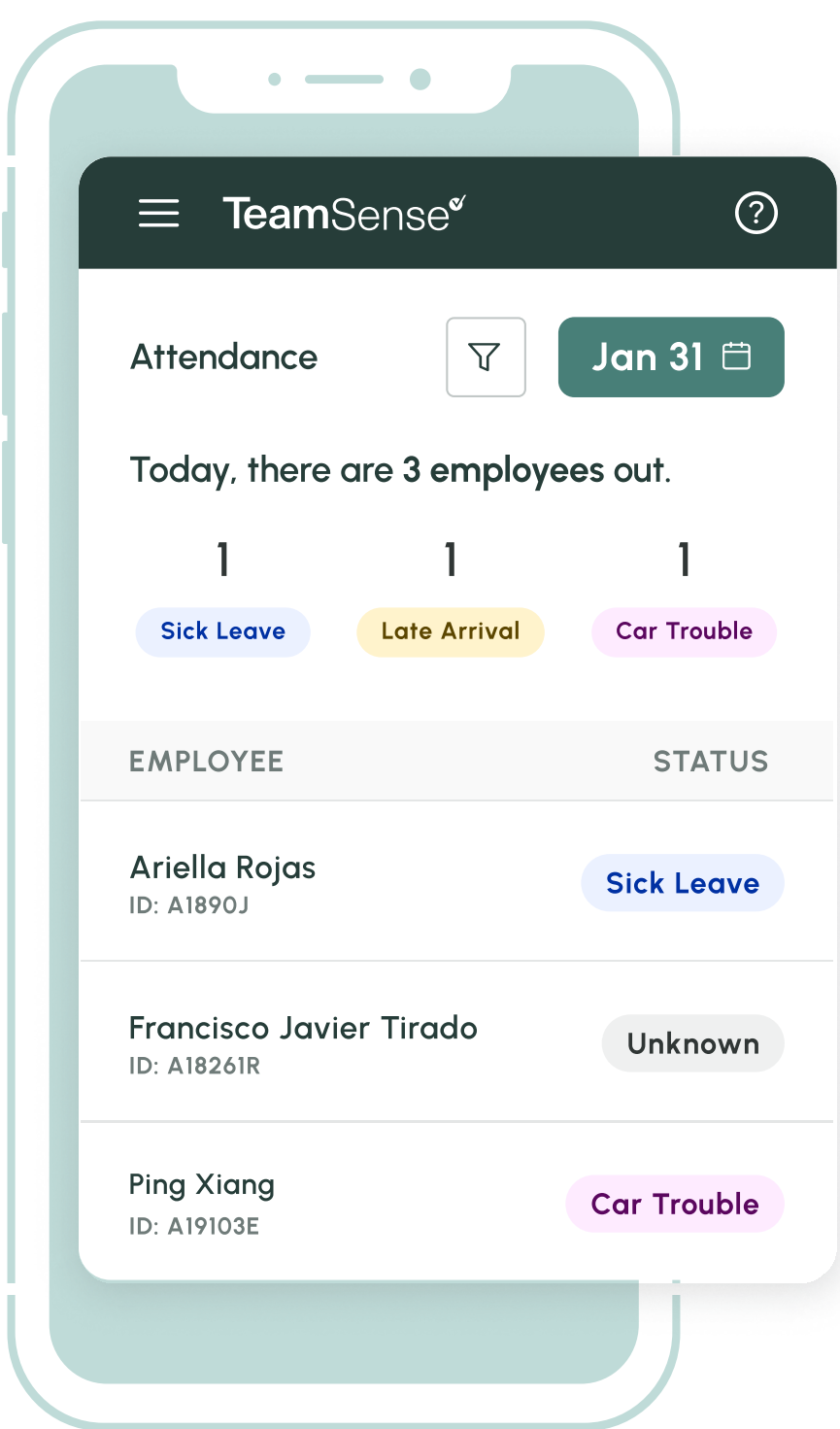
Managers are notified immediately
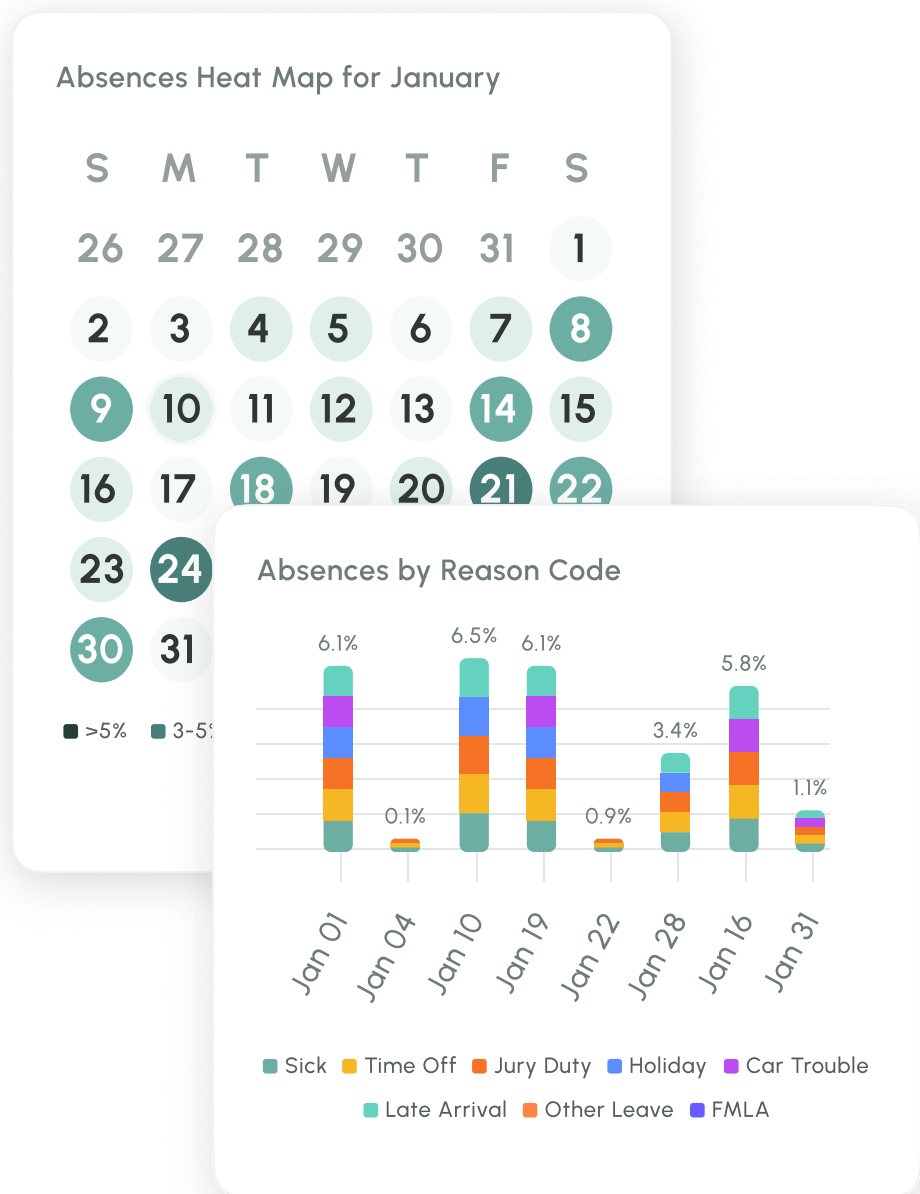
HR teams automate reports and counteract trends

💡 **How does TeamSense work?**

Click through our quick, guided demo to see TeamSense in action.

Create New Message ✕

Send to Individuals

Ariella Roxas ✕   ✕ ⌄

SUBJECT*

Attendance

MESSAGE*

4 points be issued for today's no call no show. Your total points will be at 9.5. You are half a point aways from termination.

Preview 1 translation

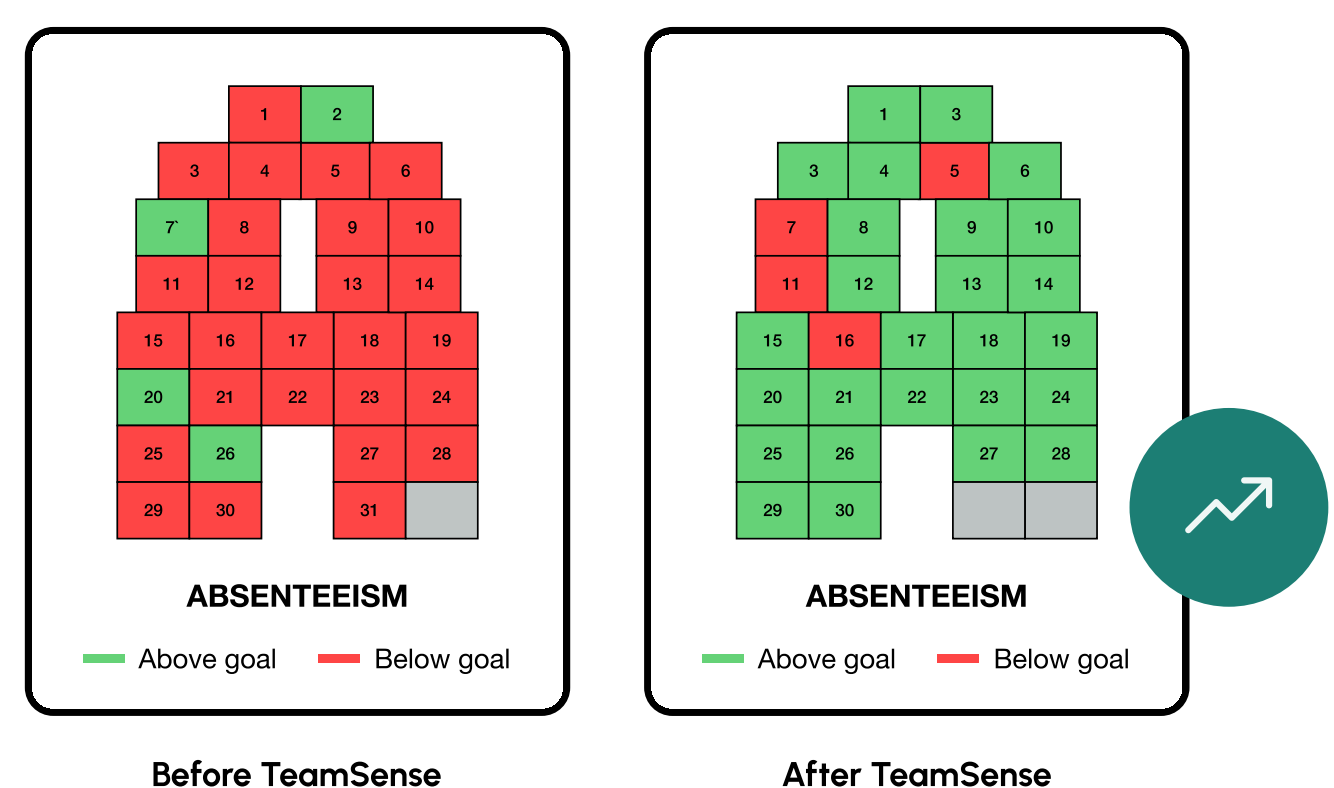☐ Schedule message for later   ➤ **Send to 1 Person**

Promoting accountability at a major third-party logistics company

Calling off was a manual process that lacked transparency for this 3PL. HR managers and supervisors had to check a voicemail inbox multiple times per day to see who had called out.

The company also did not have any automated absence tracking or confirmation messages in place, so employees were often in the dark about how their absences translated into attendance points and risk of termination. This made it difficult to enforce attendance policies and drive accountability.

With TeamSense, the 3PL made use of proactive messages to communicate employees' accumulated attendance points, driving transparency and encouraging better attendance. As a result, the company reduced absenteeism by 39%, from 64.1 to 39.4 hours per month at one of their distribution centers.
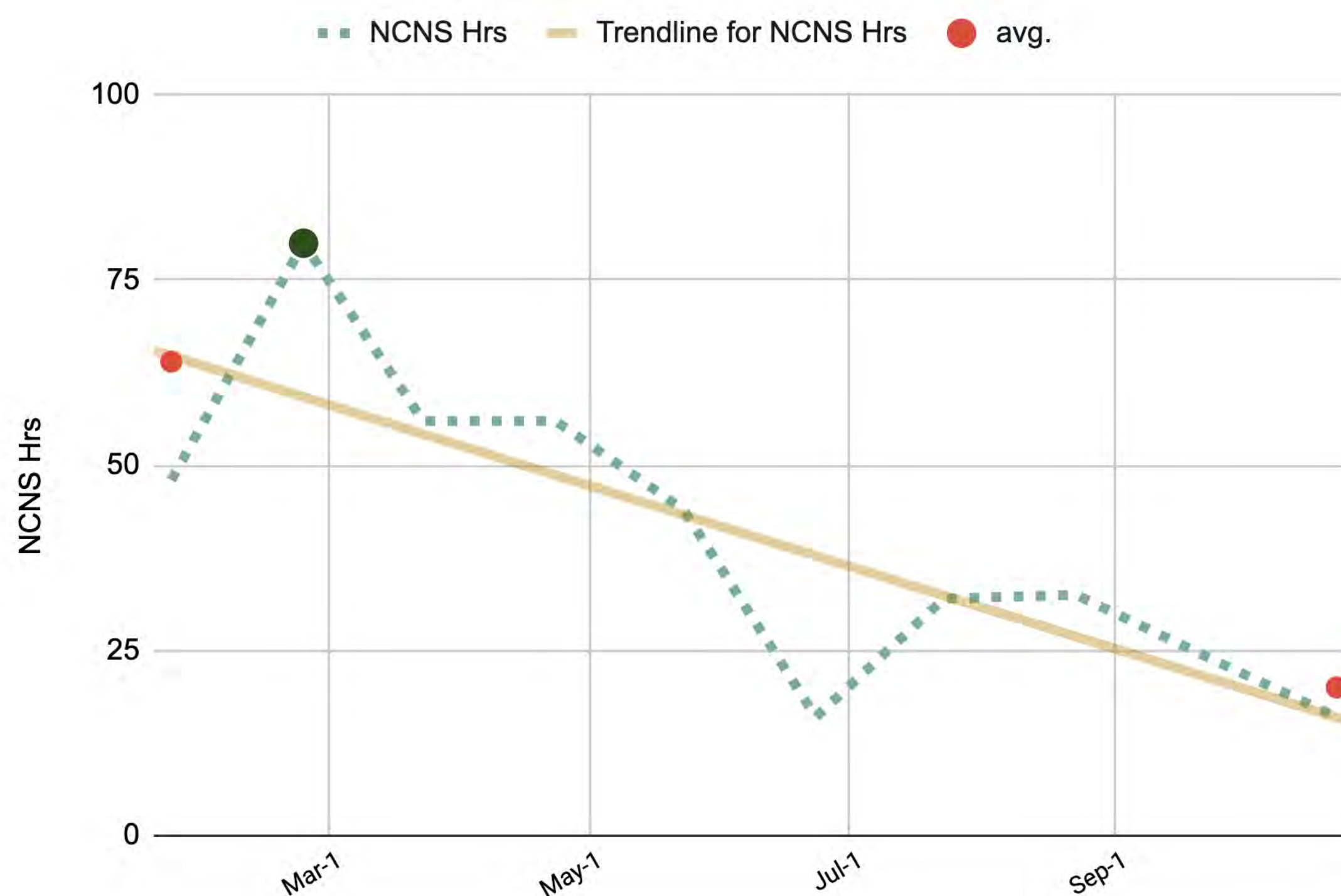

ABSENTEEISM
— Above goal   — Below goal
Before TeamSense

ABSENTEEISM
— Above goal   — Below goal
After TeamSense

No more "No Call, No Shows" for an automotive manufacturer

Before TeamSense, one automotive manufacturer was averaging 64 hours of "No Call, No Shows" per month at an 800-person facility. These absences affected the General Manager's ability to predict attendance and run production lines efficiently.

But this started to change soon after rolling out TeamSense. Hourly employees were adopting TeamSense's easy-to-use, text-based call-off system at such high rates that "No Call, No Shows" started to decline tremendously. Because it was easier to call off with team sense, hourly workers were more likely to call off than to stay home without calling off.

Within months, the site saw average monthly "No Call, No Show" hours decrease from 64 to 20 hours—a 69% reduction.

Get started with TeamSense

Every manufacturing facility is expected to hit production numbers—at cost and quality—every single day. Every logistics company is expected to move assets efficiently, while reducing cost. Reducing absenteeism with TeamSense makes it much more likely that you'll be firing on all cylinders and meeting your goals for productivity and efficiency.

Learn how your company can start reducing absenteeism within a matter of weeks. Schedule a 30-minute demo with TeamSense to get started.

Book a Demo