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The Costly Connection between Pain and Lost Productivity

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When organizations are having trouble in their supply chains, experiencing a run-up in their cost of sales, or not maximizing the return on their invested capital, their executives have tools and metrics to measure, monitor and address the situation. After all, these three areas represent the lifeblood of the organization and its ability to create value. But what if the problem eroding an organization's potential value is in an area in which few metrics or tools exist?

Consider the problem of presenteeism. Presenteeism occurs when employees are on the job but unable to function at full productivity because of illness or injury. Although it generally does not figure prominently (if at all) on the dashboards that organizations monitor on a regular basis, presenteeism has become a growing problem for many organizations. More importantly, it may be keeping these organizations from maximizing the return on one of their largest value-driving investments – human capital.

In presenteeism cases, an employee arrives at work despite physical discomfort or illness and operates at less than his or her normal capacity. As the situation persists, the organization experiences loss in many forms. For example, they are still responsible for paying out the same level of wages, benefits and taxes regardless of an employee's level of productivity. In addition, important product or service quality standards can lapse.

To get a sense of what's at stake, consider the findings of a major study published in the *Journal of the American Medical Association* (JAMA). The JAMA study¹ notes there is increasing evidence that reduced work performance due to pain is a dominant cause of lost productive time. JAMA noted that 52.7% of the workforce sample studied reported experiencing pain (headache, back pain, arthritis, or other musculoskeletal pain) while at work over a two-week period. Furthermore, 3.29% of those employees who experience pain lost an average of 5.38 hours of productive time per week due to back pain and unspecified musculoskeletal pain. Though these don't seem like large percentages, these figures should give organizations pause. The JAMA study estimates that the total lost productive time attributed to pain conditions among active workers costs U.S. businesses approximately \$61.2 billion annually.

Despite these cost estimates, many human resource and benefits executives may be reluctant to start digging into the causes of presenteeism or pain in the workplace for fear that they might

¹ "Lost Productive Time and Cost Due to Common Pain Conditions in the U.S. Workforce," *The Journal of the American Medical Association*, November 2003.

find more expensive problems or situations that need to be addressed under the surface. Instead, organizations sometimes wait to deal with these potential issues when employees file workers' compensation, disability, or Family Medical Leave Act (FMLA) claims. However, this approach is shortsighted and can be even more expensive long term, particularly in the current economic climate.

How Presenteeism Impacts Productivity and Value

When executives consider the costs associated with presenteeism in the context of the current economic environment, the need for action becomes even more pressing. By most accounts, current economic conditions will make it difficult enough for organizations to grow net income and profit margins at least for the immediate future. As a result, organizations will be counting on their employees to maximize their contributions and productivity to help meet financial targets. In other words, organizations will look for ways to create higher productivity through greater output per unit of input.

Organizations that fail to identify and address presenteeism problems run the risk of making such productivity challenges that much greater. In fact, presenteeism can create a vicious cycle of recurring injuries, illnesses and lost productive time that leads to a wide range of other issues including higher health care costs, quality problems, and delayed products and services.

Also during periods of economic uncertainty, employees may be more likely to avoid reporting illnesses and injuries out of fear of losing their jobs. Instead, these employees may continue to work less productively, perhaps exacerbating their injuries, extending illnesses or unhealthy conditions and harming their productivity further. Meanwhile, the root causes and conditions that led to those situations persist, and the cycle continues.

Addressing the Presenteeism Problem

The good news is that organizations may not have to make large investments in order to address and solve some of their presenteeism issues. In many cases, the affected employees represent a relatively small portion of the overall employee population. For example, Cisco Systems was able to trace a 40% loss in productivity in 2005 to just ten percent of its employees.² However, if you can identify the portion of the employee population that suffers from presenteeism issues now, you can curb potential productivity loss, and avoid larger costs and operational losses later.

Therefore, the best approach is targeted interventions for the most at-risk populations. Here's how to begin:

1. Collect and Analyze Data

Effectively managing presenteeism begins with focused data analysis that can be used to identify problem areas and potential causes of pain, injury or condition, in order to prioritize risk and mitigation activities. Some of this information may reside in the existing systems and spreadsheets from risk management or human resources. However, organizations can

² "Winning Hearts and Minds at Cisco," *Business Insurance*, August 25, 2008.

supplement that historical data using assessment, observation, inspections, specialist reviews, and other tools. This information can be gathered in a consistent structured manner either in-person, by using online surveys, or through other means. Organizations can also leverage other online technologies in order to include as many people as possible in the organization, whether they work remotely or on-site.

By using a personalized approach to identifying risks and gathering condition and health-related information, organizations can gain important insight into what is currently happening on the front line, including how work is actually being (or not being) done, and the key issues that employees and supervisors face when it comes to avoiding injuries or conditions. This insight can also make it easier to define risks and determine what actions have the most impact on those risks. The net result of this effort is likely to be a treasure trove of information about all of the types of risk that occur in the workplace.

2. Leverage Technology and On-Site Observation

Once an organization has gathered the necessary data and information, it can use technology to turn that data into actionable intelligence by defining and measuring job tasks, identifying trouble spots, and highlighting opportunities for potential improvements. With technology generating this type of valuable insight, stakeholders can have informed discussions about specific steps that can improve health and safety and reduce presenteeism. Rather than simply throwing more resources at presenteeism issues without a clear idea of their impact, this approach can generate solutions that get to the heart of what causes problems and ensure that solutions are properly implemented at the job level.

For example, by ensuring that managers and supervisors on the front lines are receiving regular reports on the effectiveness of current risk mitigation activities, those individuals can make changes to the jobs or processes that are causing injury-related losses. In addition, they can alter policies and procedures that guide behavior, such as sick leave or paid time off (PTO) policies that might not incentivize employees to take the time they need. In some cases, organizations choose to funnel information about risk avoidance, mitigation and management directly to employees based on the level and type of risk each employee faces in a specific job and work environment. This valuable information empowers each employee to make changes in his or her own behaviors independently without any expert intervention.

3. Share Best Practices

When workers' compensation, human resources, and employee health and safety teams work together as an integrated whole, the resulting communication and sharing of best practices ensures that innovative ideas generated in one part of the organization are implemented wherever else they are needed. A system that stores, analyzes and reports on various types of risks that exist in the work environment, such as repetitive body motion, working at heights, chemical/environmental risks and electrical risks, will facilitate this level of sharing. More importantly, it will allow an organization to prioritize risk mitigation and policy changes based on the probability of occurrence and the severity of the situation.

For example, if one department has shown a measurable reduction in injuries after creating a storage plan based on the weight of and frequency with which items are retrieved, that best

practice can be shared throughout the organization so that it can be implemented or modified to meet individual department needs. This integrated approach creates a sense of ownership throughout the organization for risk mitigation and injury prevention efforts.

4. Maintain a Continuous Cycle of Improvement

Since organizations may not know what caused presenteeism problems in the first place, they may make a few trial changes in certain areas, and then closely monitor changes that occur to determine if their solutions are working. For example, safety managers may look at changes in incidence rates and issue resolution rates. Human resources managers may monitor changes in reported discomfort rates. Alternately, they may track changes in the number of employees seeking physical therapy for back pain, musculoskeletal or other related pain.

These metrics not only provide the baseline for measuring future improvements but they help shape solutions for other productivity-decreasing problems. Additionally, larger organizations that leverage technology tools in conjunction with on-site services will find it easier to collect and analyze employee and job information, disseminate risk reduction information or treatment, and better identify future risks and problem areas that could exacerbate productivity loss.

Although presenteeism is a common problem in the workplace, tackling it effectively doesn't have to be. Organizations that address presenteeism will find renewed productivity and output, as well as better insight into healthier work practices and operations for all of their employees.

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Prior to joining Spring Consulting Group and Watson Wyatt, Karen led the regional risk & insurance practice for a small consulting firm, held the role of Assistant Risk Manager for one of the nation's largest banks, and was a casualty broker for two of the world's largest insurance brokers. Karen has her BBA in Risk Management and Human Resources, and her MBA in Finance. She has also earned the designations of CPCU and ARM.

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