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Monitoring, controlling and reducing absenteeism cost – a Luxottica case analysis during the Covid-19 Pandemic

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Introduction

Organizations are faced with a continual battle: doing whatever necessary in order to reduce costs and increase productivity. Several studies show that absenteeism is one of the greatest costs affecting businesses. With absenteeism it is intended the cost related to employees' absence, meaning all those days and working hours in which employees were supposed to be at work but for some reasons they weren't. There are several reasons behind worker's absence, from stress to personal and family issues, however this thesis will not focus only on the psychological reason behind the absenteeism problem. The main issues that it wants to deepen regard how firms are able to track and control absenteeism putting in place efficient absence management systems and how they are able to reduce it by developing new and innovative solutions. Moreover, even if the absence rate has always been tremendously high, companies nowadays during the covid-19 pandemic are struggling even more to try to monitor it, with the aim of avoiding further performance problem other than those brought by the pandemic. Among all the absenteeism indicators it is possible to find vacations, illness, injury, redundancy fund, permits and many others. All these indicators together make up what is the total company absenteeism cost.

The data connected to the absence rate are very sensible, just a 0.1% change in an indicator may mean dollars and dollars of costs. Just to make a simple example: "Considering that a 1% reduction in an 8% absence rate for an employer with 20,000 hourly workers and an average annual salary of $40,000 per worker can equate to $6.5 million in savings per year". Thus, thanks to a case study of Luxottica, the company in which I have been working for the last 4 months, the aim of this thesis is to show how the trend of absenteeism change and how this is connected to an increase in company costs. Moreover, it wants to show how the cost has been strongly affected by the impact of the

Covid-19 pandemic and how the company is putting in place solutions in order to limit its negative effects.

The willingness to find answers to these questions starts from the fact that it is not usually a very debated topic and I have never considered its importance and novelty since I started dealing with personnel costs during my internship in Luxottica. The company's focus on absenteeism cost is so high, especially in the economic period in which we are now, that I want to contribute to the studies of this topic. Through this thesis I want to try to show that absenteeism is a real issue for companies nowadays, thus it is important for them to develop systems and welfare initiatives aimed to control this problem. A possible limitation of this thesis may be in fact that there is not much literature related purely to the absenteeism topic but I think that the main strength of it is that this problem is going to affect firms even more in the future and it is important to start dealing with it.

This thesis will be structured starting from a literature review from google scholar, management journals, studies and several surveys answered by firms on the topic both at the Italian and also at the international level. All this purely theoretical introduction will be analysed practically through a Luxottica case study: analysing the absenteeism trend comparing 2020 with previous years, taking into account all the various indicators of absenteeism and measuring the change in absenteeism cost to disclose how strong is the impact on company's performance. It will give also a taste of which are the main initiatives put in place by the company to reduce this problem (for example, change in smart working %, initiatives to foster presence at work and to protect employees while working during the pandemic period).

Chapter 1: Literature review

1.1. Absenteeism

Employee workplace absenteeism is an on-going issue that plagues organizations all around the world. Employers might expect employees to miss a certain number of working days, however, when this phenomenon degenerates and absences become excessive, it can lead to damage productivity and morale.

1.1.1. What is absenteeism

Absenteeism is generally defined as non-attendance at work when attendance was scheduled and expected[1]. In general, it can happen due to sickness or incapacity, but there may be other hidden reasons. In a 2018 study on the "State of global workplaces" made by Gallap, American workplace consulting company, it is argued that the percentage of full-time workers that said to be engaged at work and enthusiast about their workplace it is just 15%. Meaning that, the 85% of the surveyed workers lack of engagement, that is one of the main causes of absenteeism that this thesis is going to deepen in the next chapters. Especially in todays' changing working environment, deeply affected by the crisis brought by the outbreak of the Covid-19 pandemic, trying to understand the causes of employee's absence and trying to figure out methods to reduce them and save money is becoming crucial for organizations.

1.1.2 Absenteeism vs presenteeism

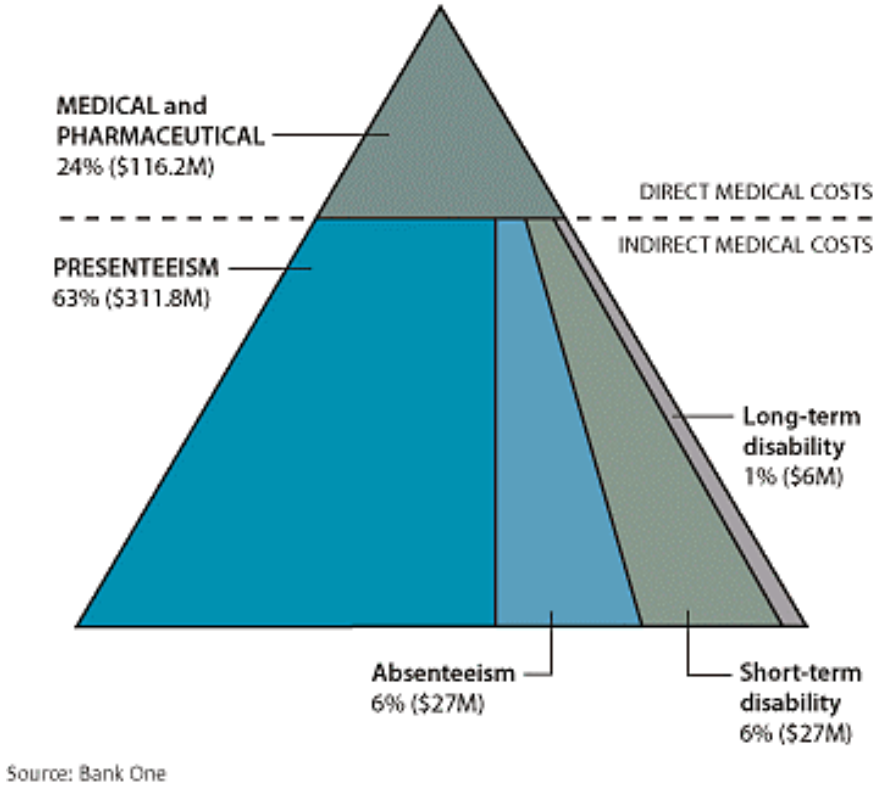
The counterpart problem of absenteeism is called presenteeism, the situation when workers are physically at work but their work is negatively affected by illness or other particular medical conditions, such as seasonal allergies,

[1] Absence from work (2010). European Foundation for the Improvement of Living and Working Conditions. Retrieved at: https://www.eurofound.europa.eu/de/publications/report/2010/absence-from-work

asthma, headaches, back pain, arthritis, gastrointestinal disorders, or depression. Even if many of these problems are considered benign, there can be also other more severe conditions affecting workers health like cancer or heart disease, which require more specific treatments. Many researches show that presenteeism may affect company productivity even more than absenteeism, since "unlike absenteeism, presenteeism isn't always apparent. You know when someone doesn't show up for work, but you often can't tell when—or how much—illness or a medical condition hinders someone's performance"[2].

Presenteeism together with absenteeism makes part of all the costs that can hardly be seen in an organization but that dramatically affect its productivity and consequently its competitive advantage. From the figure below, coming from a study made by Bank One in America, it is possible to underline those indirect medical costs for a company are much greater and impacting with respect to direct costs. Among the direct costs we can find those linked with Medical and Pharmaceutical care offered by the company aimed to help employees' claims for medical treatment and prescription drugs. Among the indirect costs, it is possible to see both absenteeism and presenteeism together with disability (both short and long term). On one hand, disability and absenteeism expenses are calculated based on the compensation paid to employees despite their absence at work. On the other hand, presenteeism expenses, are estimated based on the compensation paid to employees despite their illness-related loss in productivity.

[2] Hemp P. (2004). Presenteeism – at work but out of it. Harvard Business Review. Retrieved at: https://hbr.org/2004/10/presenteeism-at-work-but-out-of-it#:~:text=Using%20the%20same%20methodology%20employed,than%20%24150%20billion%20per%20year



Graph 1: direct and indirect costs [2]

From this study, presenteeism made up the 63% of the indirect medical costs borne by organizations. In particular, to go deeper in trying to analyse which are the main causes, the pilot study of Martin Lockheed (2002), shows the impact of 28 medical conditions on workers productivity. In particular, the table below shows that, the most impacting conditions are chronic back pain, allergies, depression and arthritis. Even though, some are serious and some severe, all these conditions had decreased on-the-job performance and made the company loss approximately $34 million a year.

Condition	Prevalence	Average productivity loss	Aggregate annual loss
Migraine	12.0%	4.9%	$434,385
Arthritis	19.7	5.9	865,530
Chronic lower-back pain (without leg pain)	21.3	5.5	858,825
Allergies or sinus trouble	59.8	4.1	1,809,945
Asthma	6.8	5.2	259,740
GERD (acid reflux disease)	15.2	5.2	582,660
Dermatitis or other skin condition	16.1	5.2	610,740
Flu in the past two weeks	17.5	4.7	607,005
Depression	13.9	7.6	786,600

Table 1: main causes of presenteeism [2]

Some studies argue that, if absenteeism is just a matter of looking if a person is present or not, presenteeism can be easily hidden by employees, since they cannot be forced to disclose their health status because of their right of privacy and confidentiality. Thus, for organizations is becoming crucial to prevent this issue by creating an environment of trust, so that employees perceive that their matters are handled sensitively and that employers are concerned about their health and wellbeing[3]. Other than that, to reduce the problem it is important to find cost effective solutions aimed to get managers to know which are the problems affecting mostly company's profitability. Moreover, educating employees is also crucial, to ensure that illnesses aren't going undiagnosed or to help them to better to better manage their illness [2]. But, improving employees' health is far from easy and sometimes benefits can overweight costs.

[3] Munro L. (2007). Absenteeism and presenteeism: possible causes and solutions.

However, while the medical related causes of presenteeism can be easily determined, the causes of absenteeism are more difficult to be assessed by the management of an organizations. Of course, injury and illness absenteeism may be easier to monitor but there are many other hidden causes of absenteeism that are hard to find. In fact, employees can miss work because of health-related problems, but what about when they do that because of bad organizational climates, stress, problematic relationships with co-workers, job dissatisfaction or family related problems? There are so many different causes of absence that make this topic worth to be examined more in depth in the next chapters.

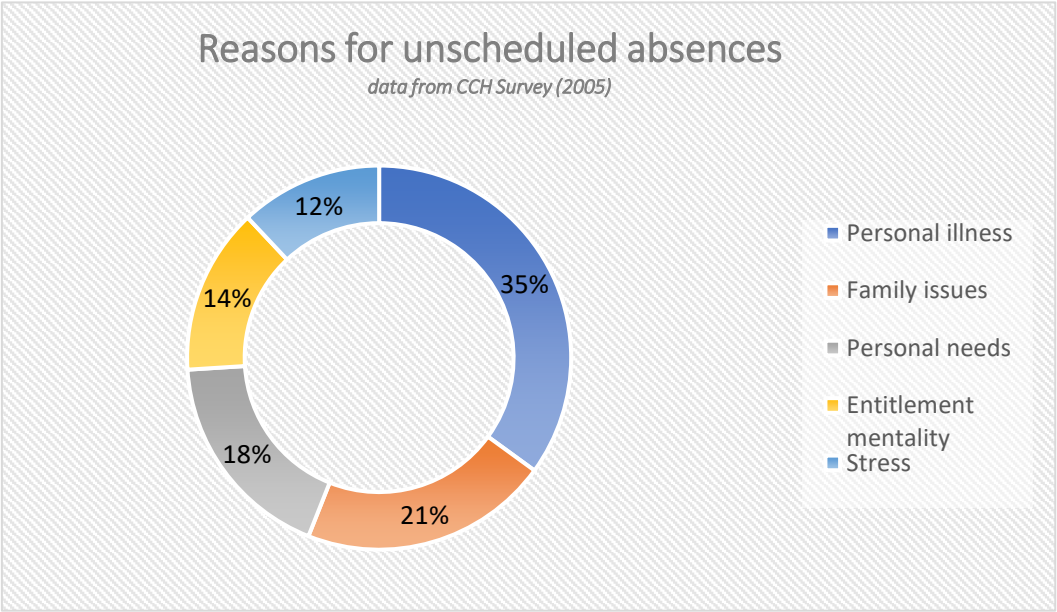
1.2. Causes and costs of absenteeism in the workplace

1.2.1. Causes of absence

Absenteeism can be classified in two categories: planned and unplanned. On one hand, planned absences are those desired and scheduled by the employee such as annual holidays. On the other hand, unplanned ones are those undesired and unscheduled such as illnesses, permits, family and medical leaves and many more. However, if planned absenteeism can be managed by the organization by redefining work priorities or by recruiting temporary workers, unplanned absenteeism is difficult to be estimated and for its costs to be recovered[4]. In particular, focusing on the latter, the 2005 CCH Survey results show that only 35% of unscheduled absences are due to illness, the rest are due to other factors such as family issues (21%), personal needs (18%), entitlement mentality (14%) and stress (12%) (see the graph below)[5].

[4] Eurostat (2021). Absence from work – quarterly statistics. Retrieved from: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Absences_from_work_-_quarterly_statistics

[5] Chris Navarro & Cara Bass (2006). The cost of employee absenteeism. Compensation and benefit review.



Graph 2: main reasons for unscheduled absenteeism [5]

Thus, since many unscheduled absences have nothing to do with illness or injury, it is important to investigate all the possible hidden causes of absenteeism in order to reduce the negative impact on the company productivity and profitability.

People usually miss work for many reasons, some of which can be legitimate while other less. According to Forbes among the causes of absence there are[6]:

- Bullying and harassment

  Sometimes sickness can hide situations in which employees feel frustrated about their job because bullied or harassed by their peers.

- Burnout stress and low morale

  Although in the graph above from the study made by CCH stress accounts only for the 12% of the total unplanned absenteeism, it still represents a heavy monetary burden for companies. In the US the cost that industries have to bear

[6] Forbes (2013). The causes and costs of absenteeism in the workplace. Retrieved from: https://www.forbes.com/sites/investopedia/2013/07/10/the-causes-and-costs-of-absenteeism-in-the-workplace/?sh=564a8bca3eb6

because of stress is about 200 billion dollars per year, while in the UK stress caused a loss of 10% of the GNP (Gross National Product)[7]. In particular, stressors can be within the workplace like heavy workloads, stressful meetings, job monotony, dangerous working conditions or long working hours, or they can come from outside because people may have to cope with difficult personal or family situations.

- Childcare and eldercare

  Family plays a crucial role in absenteeism. As argued before, sometimes family situation can be a huge trigger for stress. While in some cases, workers have to stay at home to take care of their children or elderly parents, in other cases they rely on it as an excuse to miss work.

- Depression

  It is argued that depression is the leading cause of absenteeism in US[6 above]. Even though the research on this topic is still limited, this is not a problem linked only to the US. According to the analysis made by Evans-Lacko & Knapp, aimed to identify the impact of across 8 different countries (Brazil, Canada, China, Japan, South Korea, Mexico, South Africa and US) is possible to argue that it is a problem spread worldwide that deserves much greater attention[8]. In fact, among all medical problems, depression can impact negatively firm productivity by increasing absenteeism but it can also damage the performance of present employees (i.e., presenteeism). The results of this surveys, indeed, show that depression in the workplace is considerably high in all countries taken into account, both in absolute monetary terms and in relation to the country GDP. Although, these results may vary according to individual characteristics (i.e., sex, income, education, age etc..), it was found that as depression increases, presenteeism and absenteeism increase as well. In particular, the cost of presenteeism tends to be even greater than those for

[7] Mehmet C. et. all (2009). Absenteeism problems and costs: causes, effects and cures.

[8] Evans-Lacko & Knapp (2016). *Global patterns of workplace productivity for people with depression: absenteeism and presenteeism cost across eight diverse countries.*

absenteeism. For example, the highest annual cost of absenteeism was found in Japan for 2.674 $, while the highest annual cost of presenteeism was found in Brazil for 5.788 $. Thus, the relationship among productivity and depression has to be monitored and mitigated with organizational policies, assistance programs and interventions.

- Illness & injuries

  Illness and injuries are the most common forms of absence. As for injuries, they can occur within or outside the working environment. These two are considered easier to monitor with respect to the other type of absence because of their linear trend (i.e. higher during cold and flu seasons). Although, they need to be accurately analysed since they may hide other motives (like those below).

- Disengagement

  Sometimes people may lose commitment to their jobs, this might happen because of a toxic working environment or because they have just lost their motivation. Therefore, this may lead employees to arrive late, leave early, take longer breaks or hide their disengagement behind a fake illness.

- Job hunting

  People may call themselves sick in other to participate to job interviews with other companies.

  These above are only the most common reasons behind the phenomenon of absenteeism. Employees may arrange a wide array of motivations, that true or not, in both cases are going to affect in some extent the organization. Therefore, the implementation of a well-designed monitoring process and also the analysis of these critical points is key both to understand the impact that they can on organizational performance and to limit this impact.

1.2.2. Past trends

Other than identifying the main causes, it is important to observe the magnitude of the problem in the past in order to make prevision and avoid to underestimate its importance. Especially at the European Union level, there are several studies showing the past trends of absenteeism among diverse countries. For example, in 2010 the European Foundation for the Improvement of Living and Working Conditions engaged in a study aimed to show the patterns of absence and its relative cost among the EU 27 Member State plus Norway [9]. The results developed from this research show an average absence rate across Europe between 3% and 6% and an average cost of about 2,5% of the countries GDP. However, the Eurofund points out that when making international comparisons, it is difficult to have perfectly comparable data, since every country has its own definition of absenteeism, its own regulations and its own methods of calculations that may diverge from those of the other countries. For example, some countries (like Norway) exclude from the calculation of absenteeism those hours of absence used to take care of family members. Other countries do not include maternity leave, while some others (like Greece) do not include short voluntary absences since they do not make insurance claims.

Even though making international comparisons can be tricky, because of the different countries specificities in calculating absenteeism, the results coming out showed some clear patterns of absence (see the graph below for the main results).

[9] European foundation for the improvement of living conditions (2010) Absence from work. Retrieved from: https://www.eurofound.europa.eu/publications/report/2010/absence-from-work

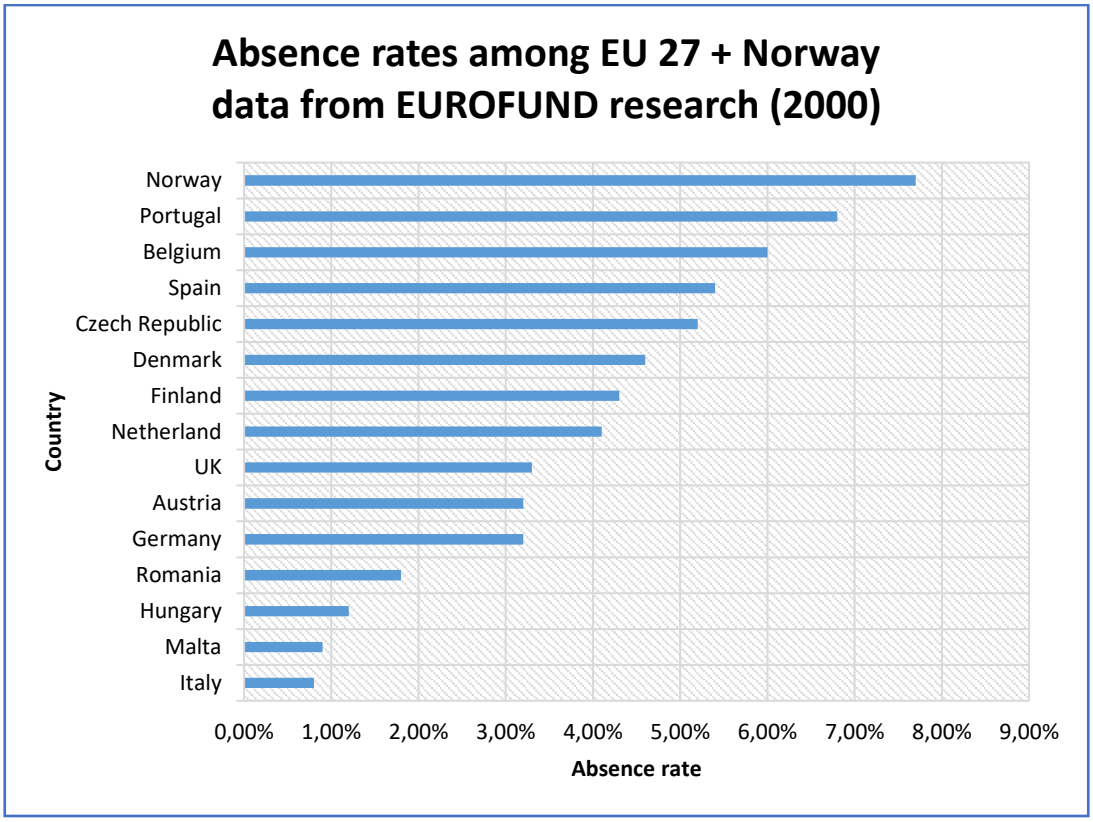


Table 2: Absence rates in Europe [9]

The first finding of the Eurofund research, that can be clearly observed by looking at the graph above, is that the absence level is usually higher in Nordic countries due to their generous welfare systems.

Moreover, country's absence rates may be affected by how the working population is structured. In fact, variables like sex, age, profession, and other socio-economic factors may strongly affect the pattern of absenteeism. The second and third findings, indeed, show that absence rates for women are greater than those for men and that absence rates of young workers are lower with respect to the ones of older workers. These features can affect the overall absence rate for a country. For example, the low absence rate reported in Malta may be a result of the low percentage of women in the workforce.

Furthermore, there is no common pattern among countries. Some countries, indeed, are experiencing an increase in absence rates, while some others a decline. The reasons for this non-homogeneity can be found by looking at the different policies applied by each country to control absenteeism. On one hand,

some of them (like Hungary and Czech Republic) are more focused on controlling the problem, by introducing laws aimed to limit sick pay costs. For example, in Czech Republic through the Act of 2009 (no. 261/2007) was formalized to end sick payments for the first 3 days of absence, while in Hungary was decide to pay employees on sick leave only 70% of their ordinary salary. On the other hand, others are more focused on improving workers' health instead of applying restrictions (Austria, Belgium, Denmark and Finland). In addition, there are countries like Germany, Italy and France that fall between these two patterns and their policies to control absenteeism are still at an "embryonic" phase.

Since in the past years only few international comparisons have been performed regarding this matter, this research made by the Eurofund is even more important in order to understand that absenteeism is not only an important factor affecting firms' performance but it is also a significant measure for a country economy as a whole.

Shifting the focus from Europe to Italy, there is a set of organizations such as Confindustria, the general confederations of Italian industries, that every year measures, among other indicators, the trend of absenteeism among Italian firms. For example, from the report made by Confindustria in 2019, the absence rate is reported to be decreasing from 6,5% in 2018 to 6,1% in 2019. Among the main causes, is possible to find illness as the most frequent reason of absence (3,2%), followed by paid leave (1,2%) and other permits (1,1%), including those for trade unions, medical examinations and family care. In particular, like in the Eurofund research, absenteeism rate has been found to be greater for women compared to men. This phenomenon is mainly due to the percentage of parental leave, that for women is usually much greater (about 3% against 0,4% for men). In addition, absenteeism has been found to be greater for larger industries. In the graph below, indeed, is showed that, on average, firms with more than 100 employees have a greater absence rate [10].

[10] Confindustria (2019). Indagine Confindustria sul lavoro 2019. Retrieved from: https://www.confindustria.it/home/centro-studi/temi-di-ricerca/valutazione-delle-politiche-pubbliche/tutti/dettaglio/Indagine-Confindustria-sul-lavoro-

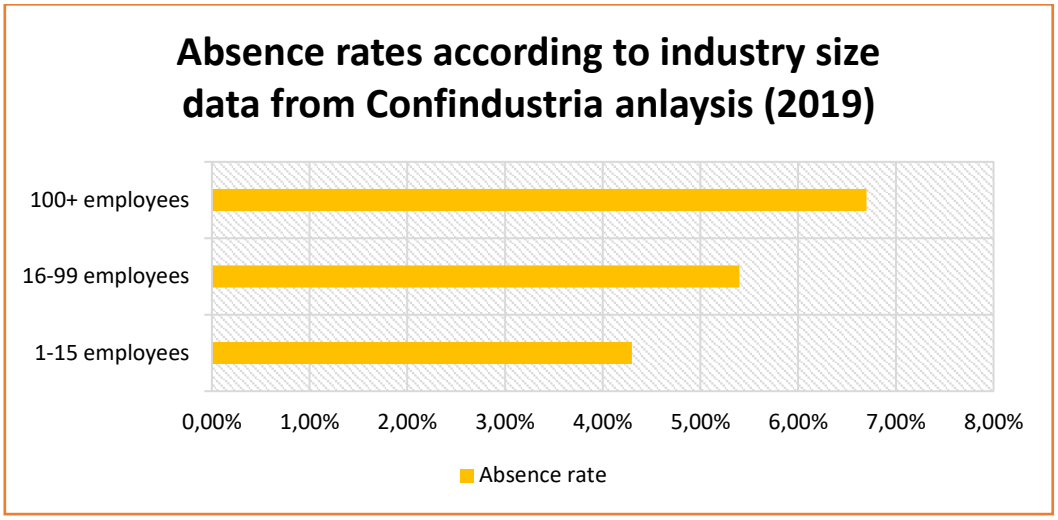


Table 3: absence rates by industry size[10]

The absence rate has found to be greater in firms with a larger number of employees and for women also in the annual research made by Federmeccanica[11], organizations of mechanical firms headed by Confindustria.

1.2.3. Injury and illness absence and productivity

Among the main causes of absenteeism that can be monitored by organizations there is sickness absence. However, like for absenteeism in general, there is the need to collect comparable data on sickness absence. To do so, one way is to rely on surveys.

The study made by Gimeno et al. (2003), which was based on the data collected with the Third European Survey on Working Conditions, underlines that this phenomenon is wide spread among all countries in Europe, especially in the ones in the north [12]. In fact, absence due to illness and injury is more frequent

2019#:~:text=L'annuale%20indagine%20Confindustria%20sulle,erogazione%20di%20premi%20variabili%20collettivi.

[11] Federmeccanica (2018). Indagine sul lavoro nell'industria metalmeccanica. Retrieved from: https://www.federmeccanica.it/centro-studi/indagine-sul-lavoro-nell-industria-metalmeccanica.html

[12] Gimeno et All (2003). Distribution of sickness absence in the European Union countries. BMJ Journals – Occupational and Environmental medicine.

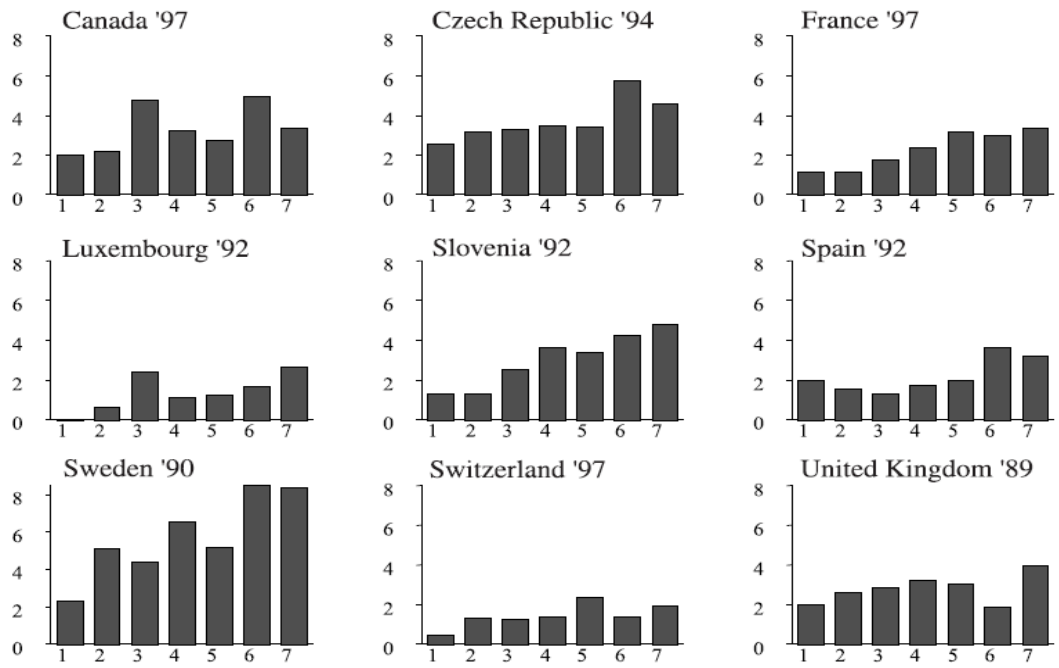
in countries such as Finland (24%), Netherlands (20,3%) and Germany (18,3%), with respect to the ones of the south, like Italy (8,5%), Portugal (8,4%) and Greece (6,7%), that reported the lowest level of sickness absence. This survey considered employees to be sick if in the 12 months before they were absent at work at least one day because of injuries, work related problems or other health problems.

Other findings were reported on the study about sickness absence made by Barmby et al. (2002), based on the Labour Force Survey (LFS), which shows that illness absenteeism for young females is greater with respect to young males. This evidence is aligned with the general trend of absenteeism described by the Eurofund research[9 above]. Also here, indeed, women were found to be more absent from work than men, absence rate grows with age for both sexes and also with the amount of sick pay. This finding is not generalized to every situation, though. The difference in the absence rate among men and women depends on a wide array of factors. Firstly, was discovered that, when taking into account the marital status, single men have the lowest absence rate while married women have the highest one. This may be closely linked to the gender division of the household works among cohabitating couples, particularly if they also have children to take care of. Secondly, the type of industry in which the person works is another factor that influence the rate of injury and illness absenteeism. In fact, it was found to be greater in industries, like heavy manufacturing, that have higher exposure to direct injury and illness (see set of graphs 1 below). Overall, the sector with the higher absence rate is "Health and Social Services", while the sector with the lowest is "Financial and Related Services". Moreover, another factor, despite the ones above, that may influence the level of absenteeism is the occupation. As the degree of responsibility in the workplace increases, employees are less willing to take leaves for any reason (see set of graphs 2 below). Absenteeism, indeed, has been found way greater for craft & trade workers, plant & machine operators and workers with elementary occupations, with respect to employees with a higher qualification such as managers, professionals, senior

officials and legislators. Lastly, there are also data which demonstrate that also high turnover rate and low job security may be linked to a higher sickness absence. When employees know their job to be secure, they tend to take more sick leaves. This phenomenon, that will be analysed deeply in Chapter 3 when describing the Luxottica S.p.a. case, is very straightforward if we compare the illness and injury absence rate among employees with open and closed ended contracts.

Set of graphs 3: Absence Rate by Industry and Country (excluding Sweden).

Notes: 1 = Agriculture, Forestry and Fishing; 2=Extraction industries; 3=Food, Drink and Tobacco; 4=Manufacturing Industries; 5=Electricity, Gas and Water; 6=Construction; 7=Wholesale and Retail Trade; 8=Hotels and Restaurants; 9=Transport and Communication; 10=Financial and Related Services; 11=Public Administration; 12=Education; 13=Health and Social Services; 14=Personal and Recreational Services.



Set of graphs 4: Absence Rate by Occupation and Country.

Notes: 0= 1=Legislators, Senior Officials and Managers; 2=Professionals; 3=Technicians and Associated Professionals; 4=Clerks; 5=Service workers and shop and market sales workers; 6=Skilled Agricultural and Fishery workers; 7, 8, 9=Craft & trade workers, Plant & Machine operators and Elementary Occupations.

As we have seen above in the international comparison made by Barmby et al. (2002) and in the list of the most common causes of absenteeism describes in Forbes (2013) [6 above], is now clear how this is a complex issue influenced by a large number of different factors. In order to clarify which are these factors, they can be summarized them in 3 different scenarios [13] (see the table below).

[13] Withtaker S. (2001). The management of sickness absence. BMJ Journals – Occupational and Environmental medicine.

MACRO SCENARIO	ORGANIZATIONAL SCENARIO	INDIVIDUAL SCENARIO
Social insurance systems	Firm size	Age
Benefits payments (sick pay)	Human resource policies	Sex
	Working conditions	Occupational status
Medical certification practices	Job stress	Job satisfaction
	Workloads	Length of service
Economic climate	Firm turnover	Family responsibilities
Epidemics		Social support
Job security		Health status
Pensionable age		Marital status
		Personality

Table 4: factors influencing sickness absence (data from Withtaker, 2001)

Among these aspects, the most studied is sick pay, the benefit payment that employees receive while absent from work due to illness or injury. As the matter of fact, has been argued that workers which are given compensation payments are more likely to be absent from work compared to those who are not. The situation can also worsen as the amount of the compensation increases, since people that receive higher compensations are more likely to make longer absences [14]. Thus, is becoming crucial for companies to set the accurate basket of incentives in order to limit absenteeism. However, sick pay doesn't depend only on the policies implemented by a specific company, but varies across Europe and also across countries in the world, mainly due to national regulatory differences that arise from definition of absenteeism itself [15].

Summarizing, the effect of sickness absence is crucial in the determination of the total impact of absenteeism in organization's performance. This is mainly caused by the fact that it is influenced by many factors that are not totally under the control of the firm management. In particular, one factor that can make the difference in controlling sickness absence is the determination of the right set of incentives to be given to sick employees. However, it is not the only element that needs to be taken into account. From the table below taken from

[14] Buzzard & Shaw (1952) as written in Barmby et all (2002). Sickness absence: an international comparison. The Economic Journal.

[15] Barmby et all (2002). Sickness absence: an international comparison. The Economic Journal.

Barmby et al. (2002), indeed, is possible to notice that, if on one hand the sickness absence rate for Sweden is particularly high, because of the generous system of sick pay that the country has in place since 1990, on the other hand other countries like France, that show the same characteristics, have a lower absence rate.

COUNTRY	FEMALE	MALE	TOTAL
CANADA	3,83%	2,58%	3,07%
CZECH REPUBLIC	4,75%	3,34%	3,95%
FRANCE	2,76%	2,49%	2,59%
LUXEMBOURG	1,62%	1,92%	1,83%
SLOVENIA	3,48%	3,62%	3,56%
SPAIN	2,47%	2,49%	2,48%
SWEDEN	8,42%	5,13%	6,31%
SWITZERLAND	2,69%	1,40%	1,78%
UK	3,87%	2,91%	3,21%

Table 5: sickness absence rate by Country and by Gender

1.3. How to measure absenteeism

After having defined the problem and all its complexities in the previous chapters, here the focus will be on the various methods of calculation. This topic adds to the previous chapters other complexities, since when companies try to determine the absence rate they have to deal with people personal data, they need to implement information systems capable to record and monitor those data, they need to comply with privacy policies and other government regulations when dealing with such data and they also need to interpret that information in order to make the right decisions for the company future operations.

1.3.1. Theoretical calculation of absenteeism

There are several methods to calculate absenteeism, but the most common is dividing the number of absence hours by the total working hours of employees in a specific period [16].

$$Absenteeism\ rate\ (h) = (absence\ hours/total\ working\ hours) * 100$$

Other than that, the same formula can be applied also when referring to days of absence or head count (HC).

$$Absenteeism\ rate\ (days) = (absence\ days/total\ working\ days) * 100$$
$$Absenteeism\ rate\ (HC) = (average\ absent\ HC\ per\ day/average\ HC) * 100$$

In addition, other than absence severity, there is the possibility to analyse also the frequency of the problem (how many people are absent among all the employees in the company) and the average length of absence (how many days are lost on average for each person that is absent at work). By looking also at these aspects, the management can understand not only how many people are not at work, but also for how long. In fact, for a company decision making, it is crucial to look also if the frequency of absence is low or high. For example, despite two departments in an organization may have the same absence rate (severity), one may have low absence frequency because of fewer people at home for a long time due to severe illnesses, and the other high absence frequency because of many shorter instances of absence. Thus, having in mind not only the severity but also the pattern of the problem may help the management to take better informed decisions [1717 below].

$$Abbsence\ frequency\ = (Total\ absent\ HC/\ avrage\ total\ HC) * 100$$

16 EBCConsulting. Indicatori risorse umane e personale. Retrieved from: https://www.ebcconsulting.com/images/File_pdf/ASSENTEISMO_Indicatori_risorse_umane_e_personale_PDF.pdf

$$Absence\ length\ =\ (Total\ absence\ days/Total\ absent\ HC)\ *100$$

In general, these formulas to assess the level of absenteeism can be used for different periods of time. The most important elements that need to be provided by the human resource management information systems are the hours of absence and the total working hours of each employee. In general, the formula below may help in the proper calculation of working days.

$$Working\ days\ =$$
$$days\ in\ the\ year\ -\ weekend\ days\ -\ public\ holidays\ -\ voluntary\ days\ off$$

Among working hours, it is important to consider all the hours worked by the employee both in presence or in smart-working, without considering national holidays and company mandatory holidays, which do not count as absence hours since people are not working at all. However, the calculation of working days, and consequently the calculation of working hours, may vary among different countries and different periods of time. In fact, different countries have different regulations that define which are public holidays, how many voluntary days off can be taken and even how many working days there are in each week. Among these complexities related to the international scenario, there are also complications related to the period of the year itself. For example, if we calculate absenteeism in a leap year, or in a year where most of the holidays fall in the weekends, we end up with a completely different value[17].

1.3.2 The Bradford Factor

Another measure that can be used to help companies to monitor absenteeism during any set period may be the Bradford Factor. Usually, it is common for companies to adopt it on one year base, however absences can be monitored also on a shorter-term period. It was developed by The University of Bradford

[17] AIHR analytics. Absenteeism Rate Explained - Formula & Meaning of Absence Rate. Retrieved from: https://www.analyticsinhr.com/blog/absenteeism-rate/

School of Management in 1980 and since then it has been used as a benchmark by several companies worldwide in order to assess their employees' level of absenteeism. It is useful especially as a guide or tracking tool, since it gives companies important information to implement more comprehensive support and monitoring procedures afterwards. Such information can be differentiated in 3 different stages following the Bradford Factor Heat Map (see graph below):

Absence occurrences	1	1.5	2	2.5	3	3.5	4	4.5	5	5.5	6
1	1	1.5	2	2.5	3	3.5	4	4.5	5	5.5	6
2	8	12	16	20	24	28	32	36	40	44	48
3	27	40.5	54	67.5	81	94.5	108	121.5	135	148.5	162
4	64	96	128	160	192	224	256	288	320	352	384
5	125	187.5	250	312.5	375	437.5	500	562.5	625	687.5	750
6	216	324	432	540	648	756	864	972	1080	1188	1296
7	343	514.5	686	857.5	1029	1200.5	1372	1543.5	1715	1886.5	2058
8	512	768	1024	1280	1536	1792	2048	2304	2560	2816	3072
9	729	1093.5	1458	1822.5	2187	2551.5	2916	3280.5	3645	4009.5	4374
10	1000	1500	2000	2500	3000	3500	4000	4500	5000	5500	6000
11	1331	1996.5	2662	3327.5	3993	4658.5	5324	5989.5	6655	7320.5	7986
12	1728	2592	3456	4320	5184	6048	6912	7776	8640	9504	10368
13	2197	3295.5	4394	5492.5	6591	7689.5	8788	9886.5	10985	12083.5	13182
14	2744	4116	5488	6860	8232	9604	10976	12348	13720	15092	16464

Table 6: Heat map

The map above is a useful tool in order to understand the 3 different zones of criticality determined by the Bradford Factor. On the horizontal axis there is the total number of absences of an individual (S), while on the vertical one there is the total number of days of absence of the same individual (D). Starting from this assumption, the factor is computed as follow:

$$S^2 \text{ x } D = B$$

For example, an employee has two periods of sick absence in a given time period of a year. The first one is 4 days and the second absence is 5 days. According to this assumption then the Bradford Factor is computed as [19]:

$$1\ absence\ x\ 1\ absence\ x\ 4\ days = 4$$

$$2\ absences\ x\ 2\ absences\ x\ 5\ days = 20$$

$$Total\ Bradford\ factor\ =\ 20\ +\ 4\ =\ 24$$

In particular, if two or more periods of absence are due to the same episode of illness, then it is recommended that they are treated as just one period. For example, if an employee gets ill and takes Tuesday off from work, returns on Wednesday, but then takes off both Thursday and Friday, then this should be considered as one period of three days' absence [18].

However, even though the computation may appear to be easy, the interpretation that should be done by companies is not easy at all. The heat map above, indeed, helps them to understand that for each area of criticality the management needs to take different corrective actions:

1. Yellow areas (BF around 45): the manager needs to show concern and advise on possible disciplinary actions
2. Orange areas (BF around100): the manager needs to start disciplinary action such as oral/written warnings or formal monitoring
3. Red areas (BF around 900): the manager needs to start considering dismissal

However, since different companies usually apply different thresholds and it gives only insight on the level of absenteeism without investigating the causes of absence, it has to be considered only as a guide for general concerns. For example, it can be a good tool to identify large increase in absenteeism in a short term, but it can hide periods where employees are more absent than others, like during school breaks, leading to wrong decision-making [19]. Other failures and wrong interpretations that may arise from using this tool are linked to the understanding of the conditions of the employee, since both medical conditions like disabilities or serious illnesses and family problems

[18] Calculating absence using the Bradford Factor. Retrieved from: https://app.croneri.co.uk/questions-and-answers/calculating-absence-using-bradford-factor-0

[19] An introduction to the Bradford Formula. Retrieved from: https://www.bradfordfactorcalculator.com/guides/bradford-factor-introduction.html

are not considered. Moreover, even if it takes into account absent employees, it does not consider neither repeated absences nor late employees [20].

1.3.3. International comparison

Since absenteeism is calculated by dividing total absence hours by total working hours, it is important to analyse both of these factors in order to have a clear view of what can be the differences in the computation by countries.

As was briefly argued in the previous paragraphs, in the calculation of working days there are several factors that need to be taken into account, among which the difference in the definition of holidays and vacations. In particular, vacation is defined as a period of temporary time off from work or other activities, while holiday usually refers as an important day celebrated by a lot of people. Thus, people can be on vacation during a holiday, for example travelling somewhere during Christmas [21]. Around the world, public holidays and voluntary vacations vary country by country together with their relative compensation, called statutory minimum annual leave. According to the worldwide research on the paid holidays and vacations of the Center for Economic and Policy Research based in Washington, the United States is the only advance economy country that does not guarantee its workers paid vacation, except for the territory of Puerto Rico. Among the other countries which have been defined "advanced economies", the European Union through the Working Time Directive provides workers with at least 20 days of paid vacation. Like EU, Australia and New Zealand require employers to guarantee employees minimum 20 days per year of paid vacation too. Moreover, Canada and Japan require at least 10 days of paid vacation. This inequality amongst the United States and the rest of the world grows even more when considering legally mandated paid holidays. In fact, the majority of developed countries provide no less than six paid holidays a year, while the US provides none. The

[20] Absence management strategies and the Bradford factor. Retrieved from: https://www.bradfordfactorcalculator.com/guides/absence-strategy.html

[21] McMillan Dictionary Blog. Holiday and Vacation – real world English. Retrieved from: https://www.macmillandictionaryblog.com/holiday-and-vacation

table below shows the Statutory minimum annual leave and the number of paid holidays for each country studied in the CEPR report of 2019 (see table below)[22]. As was argued before, is possible to notice how all the countries, despite US, offer at least 10 mandatory days of paid vacation. In addition, many advanced economies also guarantee few days of paid holidays, among which New Year's Day, Good Friday, Easter Monday, and Christmas, Labor Day, Ascension Thursday, and All Saints' Day. In Europe, Spain, Portugal and Austria have the highest number of paid holidays (around 13 days per year). Besides Europe, also Australia, Canada and Japan offer a discrete number of paid holidays, while United Kingdom, together with US, offers none, despite it guarantees 28 working days per year of paid vacations.

Paid Vacation and Paid Holidays in OECD Nations

Country	Statutory Minimum Annual Leave	Paid Holidays
Australia [1]	20 working days	8
Austria [1]	25 working days (which includes Saturdays), or 30 calendar days	13
Belgium [1]	20 working days for 5-day week workers; 24 working days for 6-day week workers	10
Canada [4]	2 weeks or 10 working days; 3 weeks or 15 working days after 6 consecutive years of employment with the same employer	9
Denmark [1]	25 working days	9
Finland [1]	25 working days (2.5 working days leave per month worked)	11
France [1,2]	30 calendar days or 25 working days	1
Germany* [1,3]	20 working days (24 for 6-day workweeks); 25-30 working days for workers under age 18, depending on age; 25 working days for workers with qualifying disabilities	Varies between 9 and 13
Greece [1]	20 working days for a 5-day week (24 workings days for 6-day week) plus 1 work day after the 2nd year	11
Ireland [1]	4 weeks or 20 working days	9
Italy [2]	20 working days	10
Japan [1,2]	10 working days	15
Netherlands [1]	4 weeks or 20 working days	9
New Zealand [1]	4 weeks or 20 working days	11
Norway [1,3]	25 working days; 31 working days for those 60 and older	10
Portugal [1,3]	22 working days; 20 working days in the first year	13
Spain [1,2,]	30 calendar days or 25 working days	14
Sweden [1,3]	25 working days	11
Switzerland [1,3]	4 weeks; 5 weeks for workers age 20 and younger	4
United Kingdom [1,3]	28 working days	0
United States [5]	0 working days	0

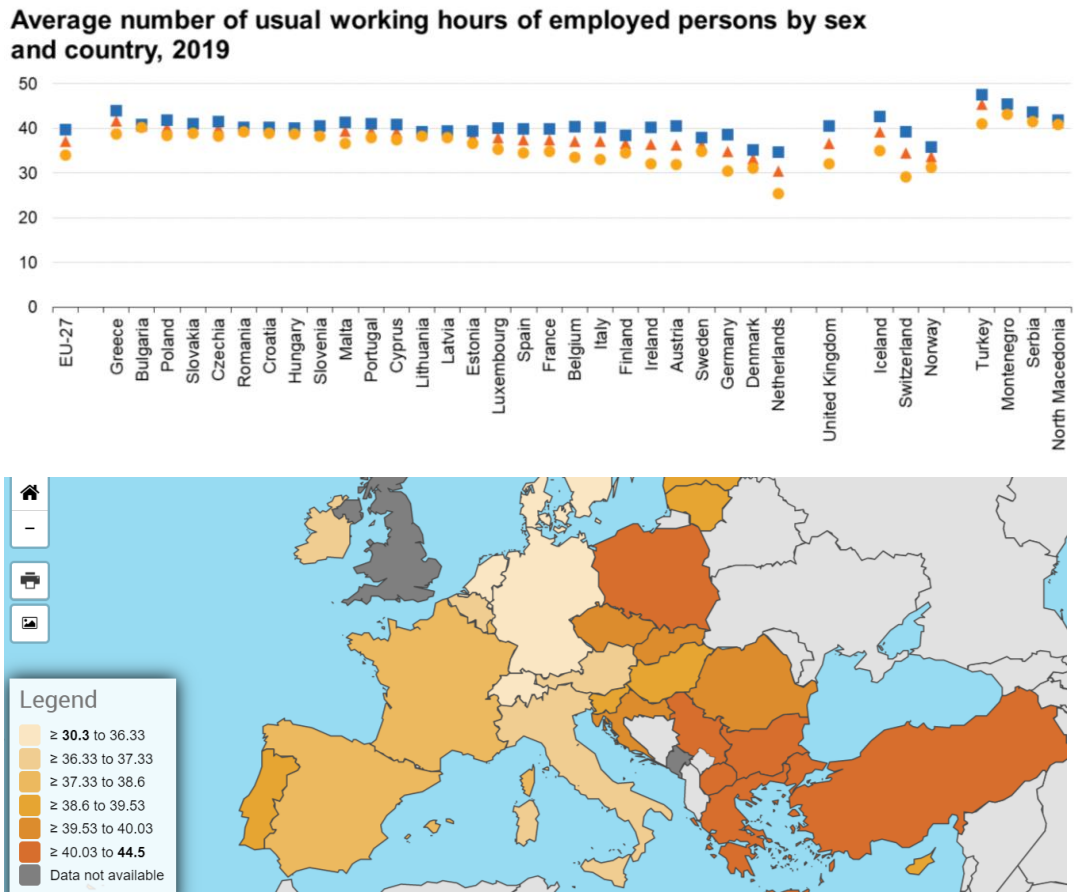
Sources and notes: 1. European Commission (n.d.) a.; 2. World Policy Analysis Center; 3. OECD; 4. HRSDC 2018; 5. USDOL (n.d.)
*Varies by region; standards for employees under federal jurisdiction are presented here

Table 7: paid holidays and vacations around the world

[22] Maye A. (2019). No vacation nation – revised. Center for Economic and Policy Research.

It is clear how the calculation of working days becomes difficult when we try to compare different countries and legislations. In the calculation, together with holidays and vacations days, also working days need to be taken into account. According to the Eurostat (2020), they also differ both country by country and in relation to other characteristics like sex and type of employment. In 2019, the EU-27 average working hours per week of employed people consisted of 37.1. In particular, considering only EU member states, the longest average working week was found in Greece (41.7 hours per week) and the shortest in the Netherlands (30.4 hours per week). Considering, instead, all EU-LFS countries taken into account, Turkey recorded the highest score with 45.4 hours per week (see the set of graphs below)[23]. The complexity becomes greater if we differentiate among sex, full-time and part-time workers or among employed and self-employed.

[23] Eurostat (2020). Hours of work – annual statistics. Retrieved from: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Hours_of_work_-_annual_statistics



Set of graphs 5: working hours per week in EU[23]

As the matter of fact, also the Eurofund (2010) points out that this different structure of working time among countries is not surprising because of their economic and social differences. However, a relationship among them exists particularly in relation to the level of GDP (Gross Domestic Product). In fact, by measuring the GDP per hour work, has been argued that on average Member States with lower productivity and incomes tends to work more hours.

The number of working hours and how they are organized are central issues for companies both from the employee and employer point of view. On one hand, indeed, employees are willing to have a balanced and sustainable working life; on the other hand, employers look at these indicators for the purpose of measuring productivity, competitiveness and costs [24]. In particular,

[24] European Foundation for the Improvement of Living and Working Conditions (2010). Comparative analysis of working time in the European Union.

among these costs there is the one related to absenteeism, that in order to be estimated, it is essential to explore how absence hours are treated too.

In general, the main solutions to justify a case of absence are holidays, paid leave, unpaid leave, parental leave, illness and injury [25]. However, each country has its own specificities. In Italy, for example, absence factors are treated differently between each of category of workers: beauty, tourism, craft, trade, environment, sport, television, fashion, transport, steelwork and many others. Each category has its National Collective Contract (CCNL), signed at the national level among employees and employers' representatives, trade unions and employers, that has the objective of determining the official content of the sector labour contract from the economic (i.e. salaries, pensions, etc.) and legal perspectives (i.e. hours of work, job titles, etc.) and also of regulating the industrial relations [26].

It is important to point out that to define the rules and procedures for the use of leave there are two different sources of labor law: the laws and the National Collective Labor Agreements (CCNL). Law provisions are valid for all categories of workers, public and private, while CCNL can add, but not cancel, specific requirement for each category of workers. In addition, the specific firm may also add other favourable treatments thanks to the CIA (the Italian supplementary company contract)[27]. In general, paid leave are defined as periods of time allowed away from work in which the worker receives a normal compensation [28]. Some examples of paid leave can be those related to mourning, maternity, disable people care, blood donation, public functions,

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[25] Fondazione studi consulenti del lavoro. Soluzioni per giustificare l'assenza dal luogo del lavoro. Retrieved from: https://www.lavoroediritti.com/wp-content/files/Assenze_dal_lavoro.pdf

[26] Conflavoro. CCNL. Retrieved from: https://www.conflavoro.it/ccnl/

[27] Ridolfi C. (2021). Permessi retribuiti per lavoratori dipendenti: quali sono e quando richiederli. Retrieved from: https://www.money.it/Permessi-retribuiti-cosa-sono-quando-richiederli

[28] Cambridge Dictionary. Paid leave. Retrieved from: https://dictionary.cambridge.org/it/dizionario/inglese/paid-leave

wedding, study and many others [29]. They are accrued every month and the quantity due to each worker has been defined by the so-called Protocol Scotti (1983) on the basis of employee duties and classifications. Normally, they can be used both by fixed-term and permanent contracts but only if the contract in question is full-time.

Even though they depend from the specific CCNL and from the company itself, there are some general guidelines surrounding the topic of paid leave in Italy, both for public and private workers:

- Mourning paid leave: workers, both private and public, can count on 3 days of paid leave each year in case of death of the spouse or of another relative withing the second grade. To access to this right, it is necessary to explain the reason of the future absence to the employer at least 7 days withing the death.
- Maternity and breastfeeding paid leave: working moms can rely on 2 hours per day, that can be used consecutively or separately during the day, to breastfeed the child. The limitation is that the child needs to have less that one year and that if the working day lasts less than 6 hours that the mom can have just one hour of permit. In addition, this paid leave can be used also by the father if the mother is dead, if he has the custody of the children or if the employed mother does not use it.
- Disable people care paid leave: the worker can be absent from work for 3 days or 18 hours each month to care about a disable relative within the second degree of relationship according to the so-called Italian law 104/1992 aimed to support the integration of disable people and their families [30]. The right can also be extended to third-degree relatives-in-law only if the parents or the spouse of the

[29] Permessi retribuiti: quando e come richiederli. Retrieved from: https://www.pmi.it/impresa/normativa/90193/permessi-retribuiti-quando-come-richiederli.html

[30] Micocci S. (2018). Legge 104: permessi, agevolazioni e testo completo. Retrieved from: https://www.money.it/Legge-104-testo-guida-permessi-agevolazioni-disabili#10

disabled person are above 65 years of age, are affected by serious diseases or are dead.

- Blood donation or bone marrow paid leave: employees can take 1 day off from work in case of blood donation and 2 days off in case of bone marrow donation.
- Elective functions paid leave: if the worker, both private and public, holds also some public offices, he has the right to be assent from work in order to take part to those functions and meetings.
- Study paid leave: most of the CCNLs provide employees with 8 days per year in which they can participate to exams or public competitions, with the rule that they have to present to the employer the participation certificate. In addition, in case of working university students, there is also an additional 150 hours that can be asked for study purposes.
- Wedding paid leave: during wedding year workers have the right to enjoy 15 consecutive days of paid leave.

Paid leaves together with vacations are one of the biggest causes of absenteeism and they impact a lot company costs, so they need to be closely monitored and not underestimated. In fact, compared to vacations, unused leaves are not mandatory and should then be cleared by the employer in the payroll [31].

Among the different types of paid leave, employees with dependent children are entitled to a range of different types of arrangements, the most common being maternity, paternity, parental leave and leave to care for ill children. In particular, maternity leave is available to mothers in the periods before and after childbirth to take care of the health of the mother and of the new born child. Paternity leave, instead, is available only to the father of the child right after the birth in order to spend time with the family. Lastly, parental leave consists of a period of leave which is available for both mothers and fathers in the same proportions. The way parents can make use of this leave may vary

[31] Micocci S. (2018). Permessi non goduti: vengono pagati? Retrieved from: https://www.money.it/permessi-non-goduti-pagati

country by country: it can be used as a non-transferable individual right, so that both parents have an entitlement to an equal amount of leave; or as an individual right, meaning that it can be transferred to the other parent; or as a family right that parents can divide between themselves as they choose. Sometimes, parental leave may be also supplemented by an additional leave period that can be taken to take care of the child after the birth period [32].

As pointed out above, these periods of leave may vary among countries around the world. According to the latest research regarding maternity leave made by the International Network on Leave Policies and Research (2020) there are two emerging approaches. On one hand there is the traditional definition of "Maternity leave, where women are entitled to have more leave than men overall. This is because maternity leave is intended mainly for women due to the strict link with pregnancy. On the other hand, there is a new emerging idea of maternity leave, where women can transfer to fathers at least part of their maternity leave right. For example, Iceland offers ten months' Parental leave: four months each for the mother and father, plus an extra two months for both to divide as they prefer. The Icelandic model, is used also by other countries such as New Zealand, Norway, Portugal, Spain and Sweden [33]. In general, countries may have or not a statutory and designated Maternity leave entitlement (see the table below "summary of maternity leave in world").

[32] International Network on Leave Policies & Research. Retrieved from: https://www.leavenetwork.org/annual-review-reports/defining-policies/

[33] International Network on Leave Policies & Research (2020). Maternity leave. Retrieved from: https://www.leavenetwork.org/fileadmin/user_upload/k_leavenetwork/annual_reviews/2020/PMedited.cross-national_table_Maternity_Leave.2sept2020.pdf

No statutory entitlement	Only Parental leave provision	Statutory entitlement
•Usa	•Sweden •Portugal •Norway •New Zeland •Iceland •Australia	•**Europe:** France, UK, Switzerland, Spain, Germany, Slovenia, Slovakia, Russia, Romania,Poland, Netherlands, Czech Republic, Malta,Luxembourg, Lithuania, Italy, Finland, Estonia, Denmark, Latvia, Croatia, Austria, Begium, Greece, Ireland, Hungary, Bulgaria, Cyprus •**Other in the world:** Uruguay, Japan, Israel, South africa, China, Chile, Canada, Bulgaria, Brazil, Korea

Table 8: summary of maternity leave in world [33]

For example, the United States have no national provision for maternity paid leave but the Family and Medical Leave Act (FMLA) of 1993 provided 12 weeks of unpaid leave to care of the new-born, just for employees of companies with more than 50 workers though[34]. Other countries like Australia, Iceland, New Zealand, Norway, Portugal, Spain and Sweden, have no designated maternity leave, but provide periods that women may or must take off from work in the childbirth period. However, they are more like parental leaves, since they can be used also by fathers. There also other instances, such as Chile, Croatia, the Czech Republic, Israel, Poland, and the UK, mothers may transfer part of the maternity leave period to fathers, despite extreme circumstances like death or severe illnesses.

However, the same research points out that the meaning of paternity leave, previously defined as a period that only fathers can take, can be unclear and confusing compared to maternity leave. Since in many countries parental leave includes a period that only fathers can take (called as 'father's quota'), hence

[34] Ilo News (1998). More than 120 Nations Provide Paid Maternity Leave. Retrieved from: https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_008009/lang--en/index.htm#:~:text=GENEVA%20(ILO%20News)%20%E2%80%93%20More,International%20Labour%20Office%20(ILO)

can be difficult to tell the difference between paternity leave and father-only parental leave. On one hand in Iceland, for example, new parents are given ten months of leave after their child's birth, four months for mothers, four months for fathers, and two months that can be used by both. Therefore, there is no Paternity leave per se, but four months of leave available exclusively for fathers (i.e. father-only parental leave). In Norway and Sweden, on the other hand, paternity leave differs from paternity leave, since an additional period other than parental leave is given to fathers (i.e. paternity leave).

In particular, focusing on the Italian model, Italy is aligned to the minimum standard provided by the European directive of 2019, since it offers 10 mandatory days of paternity leave paid in full. In addition, another optional day can be added to these 10 days, which can only be requested if the mother of the child gives up a day of maternity leave[35]. For women, instead, there is the provision of a period of compulsory abstention from work granted to employees, self-employed, and in some cases also to unemployed, women during pregnancy and after childbirth. In Italy, this period lasts 5 months, which can be used in different ways, and it is paid 80% of the usual salary perceived before the leave period[36]. Concerning, instead, leaves available to both parents, the Italian Government provides parental leave for parents with a child up to 12 years old. However, the sum of the days of leave taken by the father and the mother, however, cannot exceed 10 months, which can rise to 11 if the father takes at least 3 months of leave[37]. However, there can be many types of parental leaves to take into account such as the one given for children illness that follow a different regulation.

[35] Imparato R. (2021) Congedo di paternità 2021, 10 giorni spettanti: istruzioni e novità INPS. Retrieved from: https://www.money.it/congedo-paternita-2021-durata-giorni-novita

[36] Redazione lavoro (2019). Congedo di maternità, circolare INPS: quanto dura, retribuzione, come fare domanda prima e dopo il parto. Retrieved from: https://www.money.it/congedo-maternita-Inps-durata-requisiti-retribuzione-domanda-modalita#3

[37] Redazione lavoro (2020). Congedo parentale INPS: giorni di permesso, importi e richiesta. Retrieved from: https://www.money.it/congedo-parentale-INPS-giorni-permesso-indennita-obblighi#6

No statutory entitlement	Statutory entitlement	Statutory entitlement but unpaid
•Usa •Slovakia •Russia •Luxembourg •Austria •Canada •Croatia •Germany •Iceland •Japan	•**Europe:** France, UK, Switzerland, Spain, Germany, Slovenia, Slovakia, Russia, Romania, Poland, Netherlands, Czech Republic, Malta, Luxembourg, Lithuania, Italy, Finland, Estonia, Denmark, Latvia, Croatia, Austria, Begium, Greece, Ireland, Hungary, Bulgaria, Iceland, Portugal, Sweden, Cyprus •**Other in the world:** Uruguay, Japan, Israel, China, Chile, Canada, Bulgaria, Brazil, Australia, Korea, Mexico	•New Zealand •Norway •South Africa

Table 9: summary of paternity leave in world [38]

From the table above is possible to see a summary of how is treated paternity leave country by country. Overall comparing table 1 and 2 is possible to notice that:

- New Zealand and Norway make provisions for paid paternity leave as a part of the total time off provided by parental leave, but no compensation is given
- South Africa has both statutory maternity and paternity leave, but the latter is unpaid
- Slovakia, Russia, Luxembourg, Austria, Canada, Croatia, Germany, Iceland and Japan have statutory maternity leave but no paternity leave
- Sweden, Portugal, Iceland and Australia have provisions for paid paternity leave as a part of the total time off provided by parental leave.

[38] International Network on Leave Policies & Research (2020). Paternity leave. Retrieved from: https://www.leavenetwork.org/fileadmin/user_upload/k_leavenetwork/annual_reviews/2020/PMedited.cross-national_table_Paternity_Leave.2sept2020.pdf

The ILO declares that "an essential element in maternity protection is a legal guarantee to pregnant women and young mothers that they will not lose their jobs as a result of pregnancy, absence on maternity leave or the birth of a child" [39]. On one hand the importance of helping working mom to not lose their employment and on the other the one of helping fathers to participate in the family life from the first days of the children bring the necessity to provide paid maternity leave and health benefits by law.

However, as also discussed in the previous paragraphs, leaves due personal or family needs make the major part of the total absenteeism rate that needs to be monitored by organizations. Therefore, companies need to have clear in mind how both leaves and working hours are calculated in their country, and also in the other ones if the firm in question operates internationally. In fact, even though sometimes the cost of these leaves is compensated by the government itself, absence at work of any type can have large impacts on productivity and efficiency.

1.4. Absenteeism cost: direct and indirect

It is well recognized that the cost of absence can be huge for an organization. In order to make the right estimate needs to be considered both the direct cost, like expenses related to the salary of the employee being absent for any reason, and the indirect cost, such as the one of replacing the employee with other staff that can end up to be overloaded, the loss of productivity or of the quality of the service provided. In addition, among the indirect cost, needs to be considered also the time spent by the human resource management department both to monitor absence itself and to deal with the problems above, that could be used in a more efficient way dealing with other purposes [13]. As argued before, absenteeism is a problem that, if not avoided by organizations by implementing the right control systems, can disrupt the way the company is performing by negatively affecting productivity, product and service quality, customers retention and also personnel morale. This

paragraph is going to focus on all these elements, that are indirect costs that every company needs not to underestimate.

According to the data collected by the research summary written by the European Foundation for the Improvement of Living and Working Conditions in 1997, there are a range of expensive direct and indirect costs from absenteeism and disability. Below some facts [39]:

- In 1994 in the UK 177 million working days were lost due to sickness absence. As the matter of facts, there was a loss in productivity of £11 billion, £525 per employee.
- Belgium, in 1995, paid 93 billion BFR on sickness benefits and 21 billion BFR for work accidents, which is altogether about 1.000 euros per employee.
- The two thousand largest enterprises in Portugal lost 7.731 million working days as a result of illness and 1.665 million working days as a result of accidents in 1993. This is 5.5% of all working days at these companies.
- In the Netherlands the absenteeism rate was 8,3% in 1993. The costs of the benefits for these conditions were about 16 billion euros.

It is argued that illness is the main reason for workers to be absent from work. Even though the methods used to calculate the costs of absenteeism and ill health vary among countries and are difficult to compare, it is evident that a lot of money could be saved by even a small reduction in illness and injury absenteeism. However, not only companies, meaning employers, but also the government, insurance companies and employees themselves are affects by this cost. In fact, all these parties bear a part of the total burden related to absenteeism.

[39] European Foundation for the improvement of living and working conditions (1997). Preventing absenteeism at the workplace. Retreived from: http://www.re-integrate.eu/resources/preventing-absenteeism-at-the-workplace.pdf

Firstly, the worker, other than suffering the pain of illness or injury, has to bear a reduced income and expenses related to health care services and equipment, especially when his/her absence lasts more in the long-term. In addition, frequent or long-term absenteeism can cause problems with employer and colleagues, ending up with a possible loss of job.

Secondly, employers need to bear all the indirect and direct cost of absenteeism described above: from replacing and paying the absent worker to spending time to implement an efficient monitoring system. In addition, due to its unpredictable nature, workplace absenteeism rises company's costs (sick pay, payments above regulations, lost productivity, inferior quality, etc.) and affects negatively the company's competitive position. Moreover, also insurance companies can bear this cost. Since they have to pay higher health care benefits in case of frequent or longer cases of absenteeism. Consequently, this problem ends up to affect the overall economy. In fact, the reduction of the available workforce causes a loss of output and an increase in costs of medical treatment and of social security. National governments, indeed, have an interest in keeping absenteeism low too, in order for the society to have people can work healthily up to retirement age and contribute to the national GDP.

In Italy, according to the survey of Confindustria of 2020, which is the main representative organization of Italian manufacturing and service firms that brings together more than 150,000 companies, the average absence rate (calculated by dividing absence hours by total working hours) is 6,6%, without considering hours lost due to the wages compensation fund. However, there is a big gap among the private and the public sector. In the latter, indeed, the absenteeism rate is almost double. According to Picchio N. (2015), journalist of the Italian economy newspaper "Il sole 24 ore", bringing the absenteeism of the public sector at the same level of the one of the private sector would create a saving of 3,7 billion euros. In addition, considering all the indirect cost strictly connected, as a consequence of this decrease there would be also greater efficiency and quality of the services provided. The public sector reached an absenteeism rate of 46,3% in 2013 compared to an average 6% of

the Confindustria firms with less than 100 employees (this number has been chosen in order to compare firms with a similar size of the public sector)[40].

Given the significant costs of employee absence, businesses that do not handle it proactively are losing out on millions of dollars every year. This happens because the data connected to the absence rate are very sensible, just a 0.1% change in an indicator may create high costs. Just to make a simple example: "Considering that a 1% reduction in an 8% absence rate for an employer with 20,000 hourly workers and an average annual salary of $40,000 per worker can equate to $6.5 million in savings per year" [5 above]. Another example of how absenteeism impacts the firm labour cost is brought by the SHRM (Society for Human Resource Management) report called "Total Financial Impact of Employee Absences Across the United States, China, Australia, Europe, India and Mexico". This report analyses the various costs associated with employee absences, including direct and indirect costs. Among direct costs there are those expenses associated to wages earned during an employee absence, overtime costs, and cost of replacing absent employees. Then, among the indirect costs there are those associated to lower productivity of co-workers, who may not be familiar with the new role, and supervisors, who may have to spend part of their time in adjusting workflows or searching for new workers in order to replace the absent ones. These costs may be more difficult to evaluate due to their subjective nature, but they made up the largest share of the total absence cost [41].

The average rate of paid time off goes from 6.7% in China to 11.7% in Europe. In these percentages are considered the following cases of absence:

[40] Picchio N. (2015). Assenteismo Pa, costo 3,7 miliardi. Il sole 24 ore. Retrieved from: https://st.ilsole24ore.com/art/notizie/2015-01-11/assenteismo-pa-costo-37-miliardi-081122.shtml?uuid=ABBHiFcC

[41] SHRM (2014). Total Financial Impact of Employee Absences Across the United States, China, Australia, Europe, India and Mexico. Retrieved from: https://www.shrm.org/hr-today/trends-and-forecasting/research-and-surveys/Documents/Total%20Financial%20Impact%20of%20Employee%20Absences%20Report.pdf

1) vacation and personal time off;

2) sick time off;

3) other paid time off: bereavement, parental and civic leave offered to employees.

The percentage needs than to be explained considering both direct and indirect costs. On one hand, the direct costs (i.e., wage/salary) as a percentage of payroll ranged from 6.3% in China to 12.3% in Europe. Of which, overtime has been used to cover 20% to 47% of employee absences and worker replacement, with additional workers or temporary workers with contracts with external agencies, provides coverage for 30% to 73% of employee absences. On the other hand, the indirect cost of productivity loss ranged from 19.9% in Australia to 31.1% in the United States.

The tables below sum up the impact that the various types of absences have on productivity and revenues. Except for China, where fewer respondents (around half) believe employee absences have a “moderate” to “large” effect on productivity and revenue, two-thirds to three-quarters of respondents believe so. In addition, unplanned absences, according to the answers given by the different countries, other than productivity loss, the top two perceived consequences of unplanned absences were "increases workload" and "disrupts others' jobs.". Respondents in China, although, appeared to cite “penalizes or reflects poorly on everyone in the community or team” or “reduces the standard of work output” as their top reasons [4141 above].

TABLE 2. Productivity Loss Due to Employee Absences						
	U.S.	China	Australia	Europe	India	Mexico
Productivity loss due to replacement worker, by type of absence						
Unplanned absence	36.6%	26.0%	26.0%	31.6%	35.5%	31.4%
Planned absence	22.6%	17.8%	15.2%	15.2%	18.4%	14.3%
Extended absence	34.0%	32.8%	18.4%	21.4%	34.0%	25.6%
Average productivity loss	31.1%	25.5%	19.9%	22.7%	29.3%	23.8%
n	*277-284*	*64-65*	*75*	*70-73*	*63-64*	*60*
Co-worker productivity loss						
"Typical" absence	29.5%	27.3%	34.3%	24.0%	26.8%	40.3%
n	*438*	*122*	*83*	*95*	*84*	*72*
Supervisor productivity loss						
"Typical" absence	15.7%	17.7%	18.2%	17.0%	23.8%	26.0%
n	*420*	*111*	*84*	*87*	*82*	*65*

Note: Productivity loss due to replacement worker was calculated by type of absence: an unplanned absence, a planned absence or an extended absence. Differences may not be statistically significant.
Source: Total Financial Impact of Employee Absences (SHRM/Kronos, 2014)

Table 10: productivity loss % due to employees absence [41]

TABLE 3. Other Effects of Unplanned Absences						
	U.S.	China	Australia	Europe	India	Mexico
Adds to workload	**69%**	**57%**	**75%**	**77%**	**64%**	**67%**
Increases stress	**61%**	31%	**54%**	**51%**	**47%**	48%
Disrupts work of others	**59%**	45%	**55%**	**62%**	**65%**	**78%**
Hurts morale	48%	32%	31%	36%	19%	28%
Reduces quality of work output	40%	**48%**	36%	32%	45%	47%
Adds mandatory overtime	29%	27%	38%	30%	35%	**49%**
Requires additional training	20%	27%	22%	16%	24%	22%
Penalizes or reflects badly on all in the group/team	19%	**52%**	17%	28%	26%	25%
n	*512*	*132*	*110*	*118*	*94*	*81*

Note: Percentages do not total to 100% due to multiple response options. Bolded percentages represent the respective country's/region's top three cited perceived effects of unplanned absences. Differences may not be statistically significant.
Source: Total Financial Impact of Employee Absences (SHRM/Kronos, 2014)

Table 11: Other effects of unplanned absence [41]

For firms becomes crucial, indeed, to focus on tracking and managing more effectively employee absences, especially unplanned ones, to reduce their negative impact on the business bottom line.

1.5. Absence management: how to control and reduce absenteeism cost

The most important thing to do for companies to start dealing with the problem of absenteeism is starting to develop monitoring systems and policies to reduce the burden. Especially in this period of economic crisis brought by the covid 19 pandemic the level of absenteeism is increasing dramatically. So, developing strong welfare initiatives, linking pay to performance, developing the right set of incentives for good performance, rebalancing work with private life thanks to the use of smart-working and creating a solid environment that fosters trust and involvement, are all becoming crucial initiatives.

1.5.1. Sick pay: rewards, penalties and incentives

Has been argued that most of the times absence can be reduced by acting on incentives, financial and other [15]. If we refer to financial incentives, sick pay is the one that more than others influence the trend of absenteeism. Sick pay is usually determined by the negotiation among the company and the employee; however, it is also affected by the law. In fact, is the impact of government regulations on sick pay that explains most of the variation in the absenteeism rate among different countries. National policies, indeed, vary a lot across OECD countries, for example some countries like UK are regulating sick pay while others are not, like US. Moreover, another complexity arises since sick pay in some countries, like Northern Europe ones, is available also to cover situations when workers are not sick themselves but they need to take care of sick family members, especially children [15].

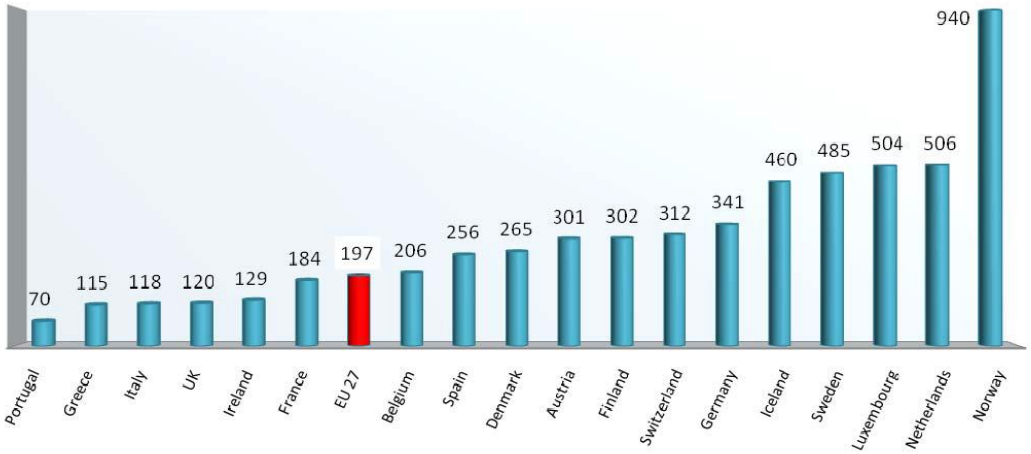
Social protection programmes have been developed to safeguard economic productivity in times of crises. In particular, paid sick leave plays a crucial role by helping employees to care for their health without being afraid to lose their jobs and income. Regulations of sick pay leave comes from various ILO Conventions: the ILO Conventions 102 and 130, setting the minimum standards for social security, the ILO decent work agenda and The Social Protection Floor, initiative started by the ILO and the WHO that provides "universal access to essential health care and income support for those with

insufficient income and income security". Moreover, social security has been recognized as a human right in the Declaration of Philadelphia of 1944, in the Universal Declaration of Human Rights (Articles 22 and 25), and the International Covenant on Economic, Social and Cultural Rights (ICESCR, Article 9), that establish the right to access without discrimination to the continuation of salary payments or income replacement in case of sickness, disability, maternity, employment injury, unemployment, old age, or death of a family member.

There are various opinion concerning whether sick pay leave helps or not to control the cost of absenteeism. On one hand the cost of presenteeism, in the cases of employees working while sick, can go far beyond the one of absenteeism, in the case of employees taking sick pay and staying at home. On the other hand, if the amount is too generous, employees can abuse it, causing an increasing in the cost of unjustified absenteeism [42]. So, governments and companies need to find the right balance in setting paid sick leave incentives, since when to provide it and how it will affect the business.

In Europe the average expense is 27 euro per capita, but there is a lot of variation among countries. This finding comes from the research made by the Eurostat in 2008, which results are shown in the graph below. As argued above, northern Europe countries are the ones spending more for social protection schemes and consequently for sick pay compensations.

[42] Adlung X. & Sandner L. (2010). The case of paid sick leave. World Health Organization report. Retrieved from: https://www.who.int/healthsystems/topics/financing/healthreport/SickleaveNo9FINAL.pdf



Graph 6: social protection expense differences among European countries [42]

In particular, Greece, France and Italy are spending similar amounts below average whereas Norway, Sweden, Island, Luxembourg and the Netherlands are spending significantly more than average. However, when comparing such data, it is important to take into consideration also the specific country situation in terms of national wage structure and labour markets. Countries located in the north of Europe, indeed, have a longer history of higher wage levels and also a lower percentage of self-employed workers. Although, countries like Italy and Greece about 23 percent of the workers are self-employed and do not benefit from these schemes. In addition, usually a greater expenditure on paid sick leave is linked to a significantly greater country economic productivity, that again is more common is northern Europe countries [42].

As pointed out in the previous chapters, sickness absence is influenced by many factors that are not totally under the control of the firm management. In particular, what can make the difference is determine in controlling sickness absence is the determination of the right set of incentives to be given to sick employees. For example, as mentioned in Barmby et all. (2002) a possible reason for which the absence rate in Sweden appears to be higher compared to other countries might be related to the generous welfare system that is in place from 1990 in the country. However, it is not the only element that needs to be taken into account. In fact, other countries like France, that show the same characteristics, have a lower absence rate.

Other than sick pay, indeed, companies can decide to give employees attendance bonuses to foster participations and make them more willing to follow the company direction. These bonuses can be in cash form or in kind, such as allowing more planned time off or gift cards. According to according to Paul A. Munoz, president of HR Group Inc., a consulting firm in Ney York, with small incentives, like a monthly 25$ gas card, companies can decrease significantly the problem of absenteeism by keeping employees more focused and satisfied [43]. Other employers focus their attention on punishments rather than incentives. But what works best is what suits best the type of company.

Organizations are searching for solution to fight the problem of unscheduled absences. According to the HCC survey, a leading provider of human resources and employment law information, one third of the employers who have been interview stated that unscheduled absenteeism is a "serious problem", while the rest of them defined it as a problem that may remain the same or worsen in the next years [44]. The new finding of this survey is that traditional sick pay programs, that focuses purely on illness, have been replaced by more effective solutions aimed to help employees to better manage all their personal issues.

1.5.2. Welfare initiatives, Smart-working & Company culture

According to the previous paragraph, rather than focusing purely on sick pay incentives, employers are implementing more effective programs to help employees to better manage their time. Among these solutions, companies are changing their culture with the offer of more work-life programs that helps employees to proactively manage their work schedule by offering welfare initiatives and smart-working.

From table 12 below is possible to see all the work-life programs with their respective rating given by employers in the HCC Survey. From 1 being "not

[43] Hastings R. (2008). Attendance Incentives Are Critical for Some Organizations. SHRM. Retrived from: https://www.shrm.org/resourcesandtools/hr-topics/employee-relations/pages/attendanceincentivesare.aspx

[44] HCC (2005). Costly Problem of Unscheduled Absenteeism Continues to Perplex Employers. Retrieved from: http://hr.cch.com/press/releases/absenteeism/

very effective" to 5 being "very effective", employers rated as the best ways to reduce unscheduled absenteeism alternative work arrangements (3.5), flu shot programs (3.4), leave for school, telecommuting, flexible work week and child care (each at 3.3). Therefore, trying to put in place alternative work adjustments that enable employees to have a more flexible and balanced working life seems to be one of the best methods used to reduce the problem of absenteeism. In fact, according to the 2019 Confindustria Survey, in Italy the use of smart-working, meaning the practice of working without precise limits in terms of working schedule and place, is increasing year by year and it is used in almost 1 company out of 10 [10].

Work-life Program	**Effectiveness Rating** (1: Not Very Effective to 5: Very Effective)	**Percent Use**
Alternative Work Arrangement	3.5	54%
Flu Shot Programs	3.4	61%
Leave for School Functions	3.3	65%
Telecommuting	3.3	53%
Compressed Work Week	3.3	47%
On-site Child Care	3.3	33%
Emergency Child Care	3.1	33%
Employee Assistance Plans	3.1	73%
Wellness Programs	3.0	64%
On-site Health Services	2.9	40%
Fitness Facility	2.8	55%
Satellite Workplaces	2.8	40%
Job Sharing	2.8	45%
Elder Care Services	2.8	34%

Table 12: work-life programs [44]

Most of the times is not just a matter of "where", intended as the place of work, but is more a matter of "when", intended as the work time schedule. In today's increasingly rapid and international working environment, the flexibility brought by the adoption of the smart-working is helping both workers and firms to better manage time. Has been argued, indeed, that the 35% of Italian workers could make use of this instrument, depending on their sector[45]. In 2020 the phenomenon has been further emphasised because of the Covid-19 pandemic outbreak, that has completely changed what were the common working habits by forcing people to work from home. However, even though relying on smart-working can help a lot retention and absence reduction, when the practice is used for too long periods can start to be alienating. In fact, after this pandemic period LinkedIn platform [46] tried to assess the effects of smart-working on the population, which:

- For the 48% said to have increased overtime at minimum 1 hour per day
- For the 46% said to be more stressed
- For the 26% said to be less concentrated
- For the 27% said to have issues in sleeping
- For the 18% said to have experienced mental health problems

Nonetheless these issues experienced by workers during the pandemic period, it is important to underline how the situation was completely extraordinary and that the practice adopted by some companies rather than "smart-working" should have been called "teleworking". As the matter of fact, according to Paola Profeta, Associate Professor of Public Finance at Bocconi University [47]:

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[45] Jonathan I & all (2020). How Many Jobs Can be Done at Home? As cited in PWC Pubblications (2020). Smart-working. Retrieved from: https://www.pwc.com/it/it/publications/assets/docs/pwc-smart-working.pdf

[46] Smorto G. (2020). Che effetto fa lo smart working? Stress, ansia e almeno un'ora di lavoro in più al giorno. La Repubblica. Retrieved from: https://www.repubblica.it/tecnologia/2020/05/14/news/che_effetto_fa_lo_smart_working_stress_ansia_e_almeno_un_ora_di_lavoro_in_piu_al_giorno-256601448/

[47] Morning future (2020). Smart working: a misconception in pandemic times. Retrieved from: https://www.morningfuture.com/en/article/2020/11/23/smart-working-telework-pandemic-covid/1077/

> *"Smart working has little to do with the experience we have had during lockdown. It was, and still is, more like a form of telework … Before Covid, just a few companies had introduced limited forms of flexibility. As a result, we found ourselves having to deal with this emergency without a framework. Although this meant we could continue to work, many challenges have also risen to the surface."* [47]

Among these two practices there is a blurred difference that should not be neglected: teleworking implies working from home, instead of in the office, with the obligation of being online for all the working time; while through the adoption of smart-working the employee is completely autonomous in deciding "where" and "when" to work [48]. Moreover, also according to Aldo Mazzocco, CEO of Generali Real Estate and Chairman of CityLife [47]:

> *"There is nothing smart about it. Let's call it remote or teleworking or staying at home. It is the negation of the free flow of ideas. Employees lose one third of their interpersonal skills. And the result is that workers become demoralised and no longer have the energy or the will to create or get involved. After all, this is about human beings: what happens to someone who stops shaving or putting on make-up? Not leaving the house surely has an impact on consumption but it mainly affects our state of mind and our personal care. The unexpected has vanished, we are becoming pieceworkers. Enthusiasm and ideas are dying."* [47]

Other than relying on smart-working, it is important to develop a good welfare system and health program. For example, Bank of Austria decided to put in place a program to reduce absenteeism thanks to comprehensive health and personnel policies. The company started to emphasise the importance of sport activities to

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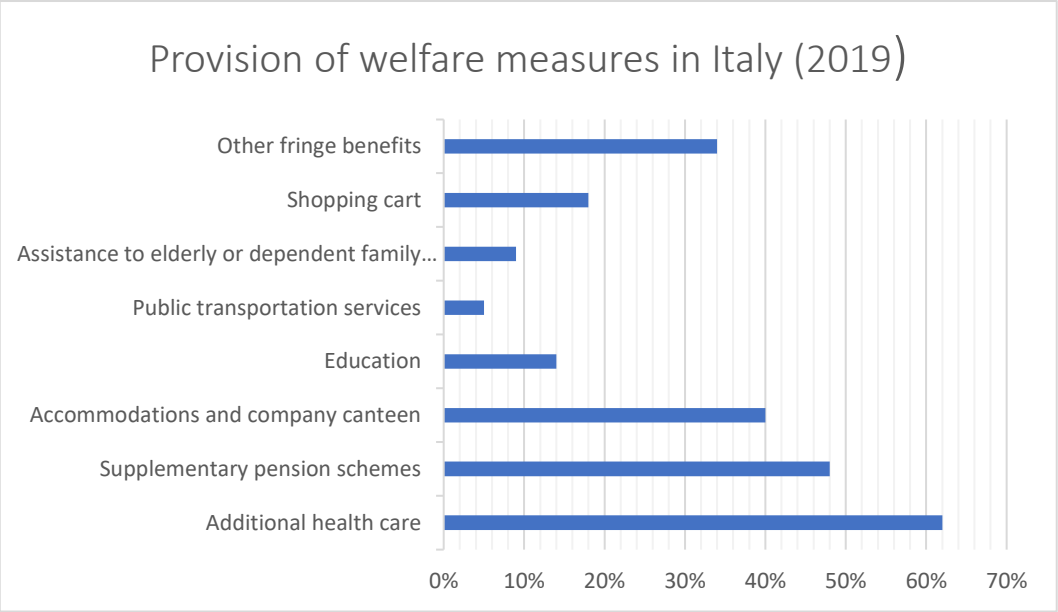
[48] Migliorini E. (2020). Telelavoro: cos'è e qual è la differenza con lo smart working? Retrieved from: https://fiscomania.com/telelavoro-cose-e-quale-la-differenza-con-lo-smart-working/

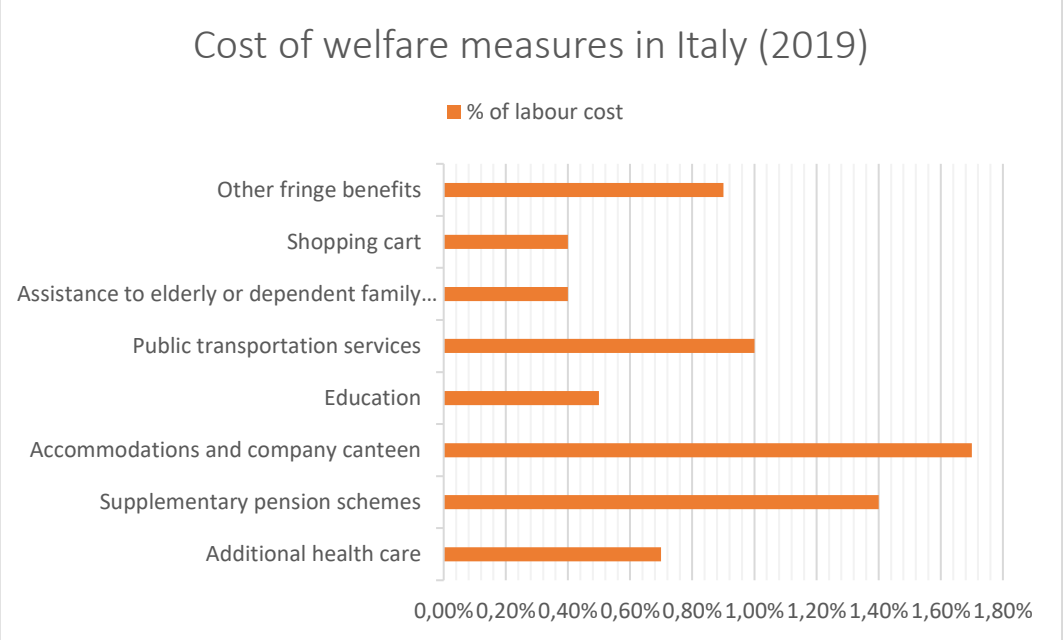
prevent stress-related disorders and illness by opening a fitness center which also implemented preventive medicine therapies such as physiotherapy, kinesitherapy, nutrition advices, body check-ups. Moreover, the company started to promote healthy food by advising the company kitchen and an ergonomic workplace design [49]. As the matter of fact, the more workers feel safe and properly compensated for their effort, the less they are keen to make unplanned absences. Therefore, other than health programs it is also important to promote well-being measures such as:

1. Additional health care
2. Supplementary pension schemes
3. Accommodations
4. Company canteens
5. Education, instruction and scholarships for family members
6. Public transportation services
7. Assistance to elderly or dependent family members
8. Shopping cart
9. Other fringe benefits

It is argued that in Italy in 2019 at least the 76% of the organizations are providing at least 1 benefit among the ones above, for a total expense in welfare services of about 2,7% of the total personnel cost. Then, this percentage is subject to change if the size of the firm, the sector and the environmental context are taken into account.

[49] Grundemann R. & Van Vuuren C. (1998). Preventing Absenteeism at the Workplace: A European Portfolio of Case studies. European Foundation for the improvement of living and working conditions.





Set of graphs 7: Welfare measures provision and cost in Italy according to the 2019 Confindustria analysis

Above all work-life initiatives, culture remains one of the most important elements to engage employees in the organizational context and make them willing to follow the organizational objective and direction as they are being part of a "family". In fact, organizations that control absenteeism more effectively are the ones with Good/Very Good morale (3.7), compared to their

counterparts with Poor/Fair morale (2.4). This issued might be caused by the fact that most of the times a poor morale is linked to more stress, which is one of the main factors causing lack of motivation and consequently unscheduled absenteeism.

1.5.3. Absence monitoring systems

This paragraph shows how sometimes managing sick pay or offering work-life programs, such as welfare incentives and smart working, can be not enough for firms to control absenteeism.

Absence Control Program	Effectiveness Rating (1: Not Very Effective to 5: Very Effective)	Percent Use
Paid Leave Bank	3.5	67%
Buy Back	3.5	58%
Disciplinary Action	3.4	90%
Bonus	3.3	57%
Verification of Illness	3.2	76%
Yearly Review	3.0	79%
No Fault	3.0	63%
Personal Recognition	2.6	66%

Table 13: absence control programs [44]

The table above reports the most used absence control programs by employers according to the HCC survey (2005). The most used method to control absenteeism remains disciplinary action (used by 90% of the interviewed). After that, there are Yearly Review (79 %), Verification of Illness (76 %), Paid Leave Banks (67 %), Personal Recognition (66 %) and No Fault (63 %). However, even though paid leave bank is not as much used as the programs before, has been rated as the most effective method to reduce unscheduled absenteeism, together with buy backs. This method has been recently implemented by companies since, with respect to traditional leave

programs for sick, vacation and personal time, paid leave banks help employees by providing them with a bank of hours that can be useful for various situations. Buy-back programs, instead, enable employees to earn money or vacation for their unused illness hours [44].

Moreover, sometimes implementing a good absence management system is not enough. Keep track of all employee absences brings to companies a heavy administrative burden. Especially when they grow in size they need to shift to an automated process, in order to focus on more strategic tasks rather than on paperwork [5]. As written by Navarro & Bass (2006):

> *"Through Web-based self-service portals used in many automated solutions, employees can request leave on their own, and the absence management system automatically determines their leave eligibility under federal, state and company policy. The system then precisely tracks the leave period, whether it is consecutive, concurrent or intermittent. Managers and HR staff also have access to Web-based tools that provide absence data for all of their direct reports and keep them apprised of daily absence activity. These tools include e-mail notifications, such as when a leave is initiated, as well as a reminder when an employee will soon return to work. This enables managers and HR to plan appropriately for scheduled and unscheduled absences, mitigating the overall impact of absence on their workforce and productivity."* [5]

How Employees Request Time Off						
	U.S.	China	Australia	Europe	India	Mexico
Written request using a form or by e-mail	66%	62%	61%	58%	45%	63%
Submit electronic request using time-keeping system	24%	28%	29%	28%	45%	14%
Verbal request	9%	5%	5%	11%	5%	23%
Other	1%	6%	6%	3%	4%	0%
n	*225*	*127*	*108*	*115*	*93*	*78*
Tracking the Number of Employee Absences						
	U.S.	China	Australia	Europe	India	Mexico
Percentage of organizations that track employee absences	83%	99%	95%	96%	98%	95%
n	*692*	*119*	*86*	*104*	*84*	*69*
System/Process Used to Track Employee Absences						
	U.S.	China	Australia	Europe	India	Mexico
Integrated system as a component or module of an HR information system*	35%	23%	29%	30%	41%	26%
Automated third-party software with terminals or web entry	29%	32%	48%	38%	36%	51%
Home-grown system	20%	18%	6%	12%	10%	10%
Manual spreadsheets	8%	19%	7%	17%	7%	4%
Manual paper timesheets or punch cards	8%	8%	10%	3%	6%	8%
n	*240*	*119*	*94*	*106*	*87*	*72*

* i.e., a workforce management solution

Note: Percentages may not total 100% due to rounding. Differences may not be statistically significant.

Source: Total Financial Impact of Employee Absences (SHRM/Kronos, 2014)

Table 14: Systems and processes used to track absences [41]

Tracking absences is a method widely used by organizations. In the summary table above taken from the "Total financial impact of employee absences" report of the HR consulting company SHRM, the majority of the organizations across all countries stated that they manage time off requests by written papers, online forms or e-mail written by employees. In addition, to keep track of absences they stated to rely more on advanced and integrated HRIS, especially those provided by third parties, compared to home-made systems or raw spreadsheets ("Human Resource Information Systems) [41]. The underlined situation shows how absenteeism is becoming an increasing concern for firms worldwide, who are always more committed in automating their systems to reduce as much as possible this cost.

Chapter 2: Covid-19 and absenteeism cost

2.1. Effects of Covid-19 on global economies

Pandemics are not only a concern for public health, but they might generate crisis also from the socio-economic and political point of view. Therefore, the aim of this chapter is focusing on the Coronavirus pandemic effects on the global environment, with a particular attention on the economy.

The outbreak of the new Coronavirus, also called COVID-19, started in Decembre 2019 in the seafood market of the Chinese city named Wuhan. After having analysed the virus specificities, it has been argued that the virus might be related to the SARS virus, which spread from China in 2002-2003 too. The hypothesis was made from the fact that both the two viruses are characterized by a rapid human transmission and similar acute respiratory symptoms [50]. Due to this rapid spreading among people, indeed, the virus immediately started affecting a country after another becoming a big threat for global economies, which GDP have been irrecoverably damaged.

The Coronavirus diffusion negatively impacted the GDP in the OECD countries areas, but with some differences. In particular, even though both the nominal and the real GDP follow a declining trend, there are some cross-country variations mainly due to the timing and the severity of the pandemic, the main economic activity performed in the country and many other factors including the policy mix adopted to face the virus [51]. The major cause of this damage arises from the decision of the single countries to start to "lock down" in order to limit the transmission of the virus. However, these periods were characterized both by decreasing consumption and production. Overall,

[50] Chakraborty & Maity (2020). COVID-19 outbreak: Migration, effects on society, global environment
and prevention. Journal of Science of the total environment.

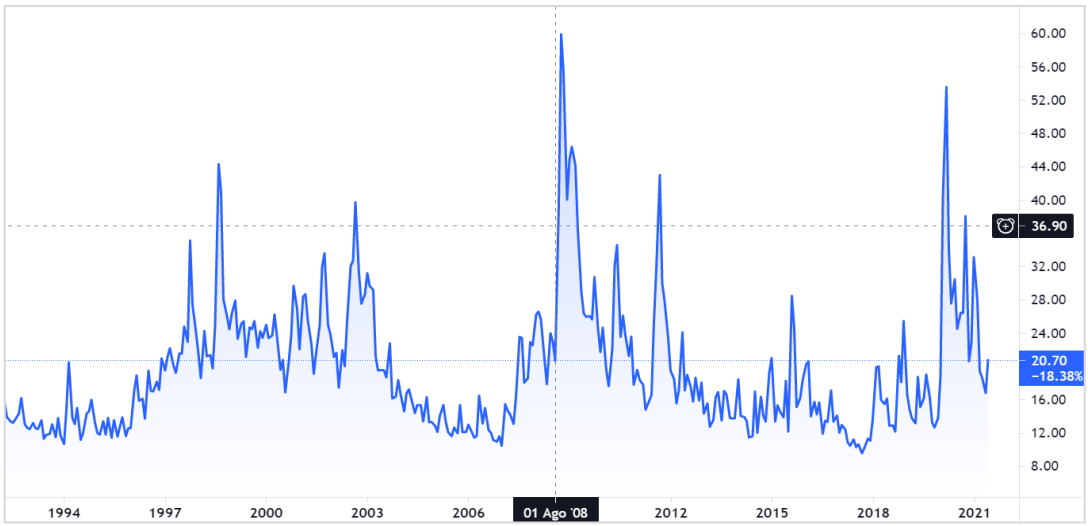
[51] OECD Economic Outlook (2021). Retrieved from: https://www.oecd.org/coronavirus/en/

indeed, all the companies around the world have been affected by a disruption of the normal functioning of the global supply chain [52]. In fact, on one hand, there have been shocks from the supply side since more and more companies were shutting down their operations and announcing lay-offs, on the other hand also the demand side has changed due consumers shifting their consumption patterns.

It is argued that comparing the Covid-19 to another global crisis is unreasonable [52]. Although other epidemies like the 1918 Global influenza, the 2013-16 Ebola virus, the 2002-3 SARS and the 2008-9 financial crisis have caused billions and billions of losses to global economies, the COVID-19 pandemic is different since it started spreading in a period when the world was more globalized and integrated and it started spreading from China, which nowadays represents more than the 16% of the global economy, being the world's largest exporter and importer, purchaser of goods and service and source of international tourism. Therefore, not surprisingly, the hospitability sector and related businesses are the ones that suffered the most serious consequences, especially in countries like Greece, Portugal, Mexico or Spain in which, according to the World Travel and Tourism Council (WWTC), tourism contributes for more than 15% of the country total GDP.

Another effect of the pandemic is the fall in the Stock Market indexes [52]. This fall regards the share prices in all the sectors, included the most stable ones like utilities, tobacco and pharmaceuticals with particular attention to the equity market, which reported a VIX index high as much as the one registered during the 2008-9 financial crisis (see graph 9 below). This "fear index", which indicates the riskiness of the actual scenario, reflects the volatility of the overall world economic situation where forecasts about how the future outcomes are difficult to made.

[52] Fernandes N. (2020). Economic effects of coronavirus outbreak (COVID-19) on the world economy. IESE business school.



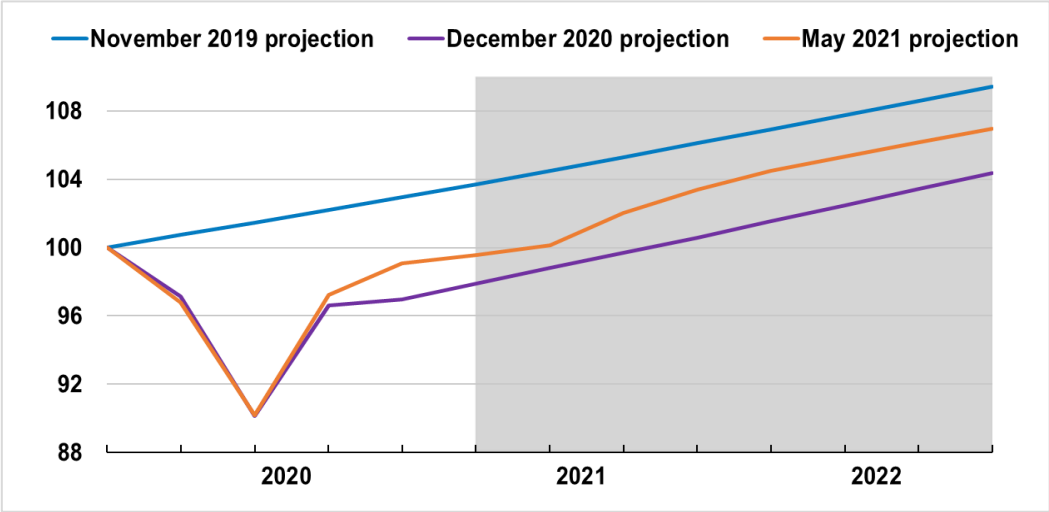
Graph 9: Volatility index (VIX) patterns of variation through years. Retrieved from: https://it.tradingview.com/symbols/CBOE-VIX/

Moreover, this global crush in production and demand has caused problems also in the primary and tertiary sectors [53]. In fact, from the agriculture sector facing orders slowdown because of restaurants and hotels lockdowns, to the education sector where children from to all-in-school have been forced to stay at home due to digital education practices that enhanced children social isolation, dropouts and childcare cost for families to face technological expenses. Other than school education, the situation has been worsened by the temporary suspension of sports, theatres and music events in an attempt to slowdown the level of infected people. The reschedule of the Tokyo 2020 Olympics embodies is a true example of the measures previously described.

Furthermore, also the pharmaceutical and healthcare industries have changed drastically [53]: massive investments have been made both to foster digital transformation and speed in delivering effective medical treatments to patients affected by this almost-unknown disease.

[53] Maria N. et. Al (2020). The socio-economic implications of the coronavirus pandemic (COVID-19):
A review. International Journal of Surgery.

As pointed out above, this period of crisis which lasted more than a year has completely changed most of the aspects of human life. So now, the real question that everyone is asking is how much time is going to take in order to recover and reach the pre pandemic level of GDP per capita. According to an OECD study made in the recent May 2021, the prospects for the global economy growth have largely improved against last year forecast (see graph 10 below).

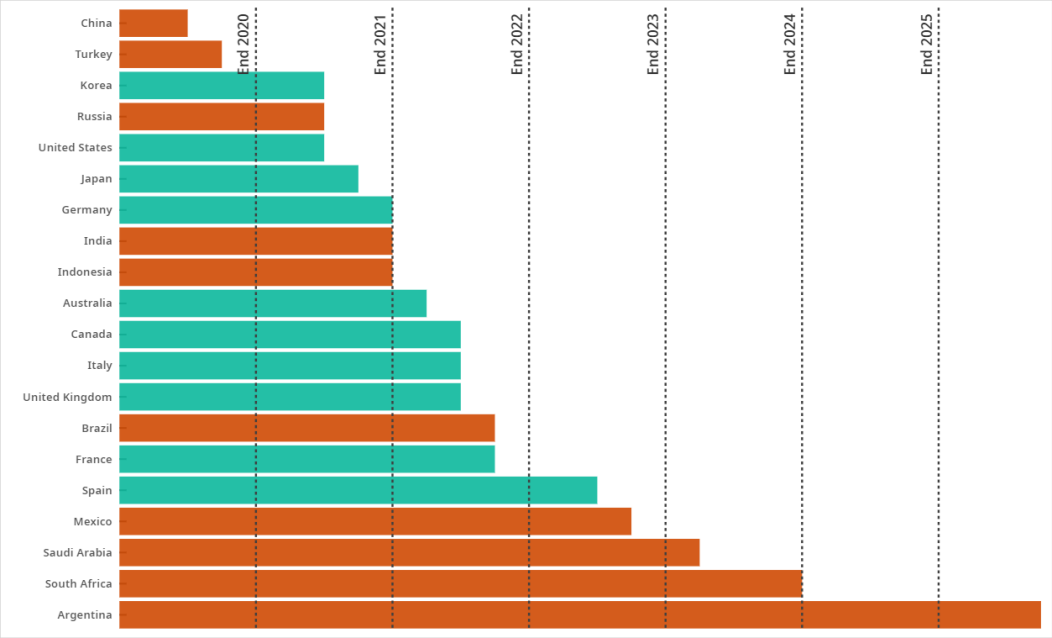


Graph 10: World GDP recovering projection [54]

However, they are uneven across countries depending both on the effectiveness of the vaccination programmes developed and on the strength of the healthcare system of the specific country. For example, Korea and the United States took only about 18 months to reach the pre-pandemic per capita income levels. However, other countries like the European ones are expected to take nearly 3 years to improve, while others such as Mexico and South Africa, could even need among 3 and 5 years [51] (see graph 11-12-13 below answering to: How long to recover to pre-pandemic GDP per capita? [54]). In general, the more countries are quick to vaccinate their population, the more the economy growth is going to accelerate. As the matter of facts, countries like

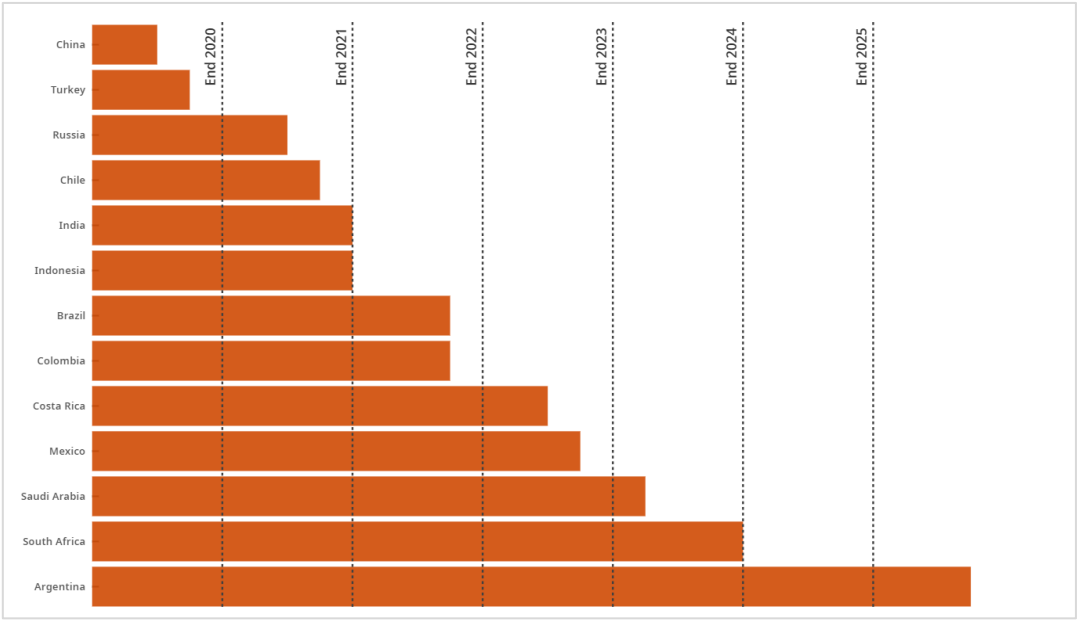
[54] OECD (2021). OECD economic outlook. Retrieved from: https://www.oecd.org/economic-outlook/

China and US that are the ones experiencing a faster recovering process, are also the ones with the highest number of vaccinated people over the total population. For example, comparing the US and China situation to the Italian one, has been forecasted that Italy is going to recover the pre-covid GDP per capita level in the second half of 2021 due to a slower start in vaccination, caused mainly by the shortage of supply and distribution at the EU level and by the uncertainty of side effects.



Graph 11: G20 countries GDP recover

Graph 12: Advance economies GDP recover

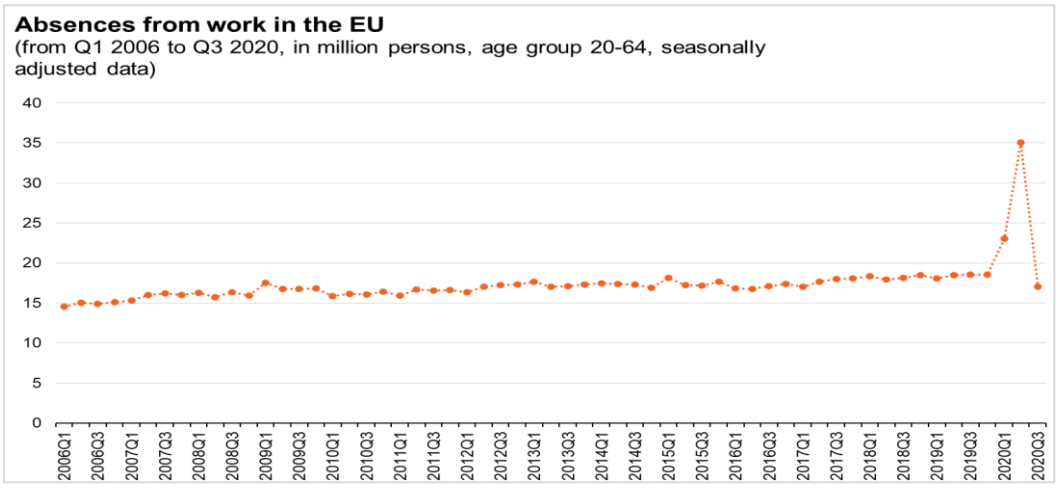


Graph 13: Developing countries GDP recover

2.2. Absenteeism cost increase due to Covid-19 pandemic

Absenteeism, as cleared out in the previous chapter, is defined as a worker missing work due to illness, injury or other medical problems. The causes of workplace absenteeism can be several, but the main one affecting business cost is illness. Since March 2020, the illness absenteeism trend has been subject to important variations due to the outbreak of COVID-19, which impacted the world's economy and productivity by disrupting the traditional working routine. On one hand, suddenly people were forced to work from home due to the restrictive measures taken, on the other hand the high level of contagion increased sharply the level of people being ill with large negative effects on productivity. Therefore, starting from the premise of how covid impacted the economy, the aim of this paragraph is looking deeper on the firm context by underling how costs increased due to pandemic absenteeism.

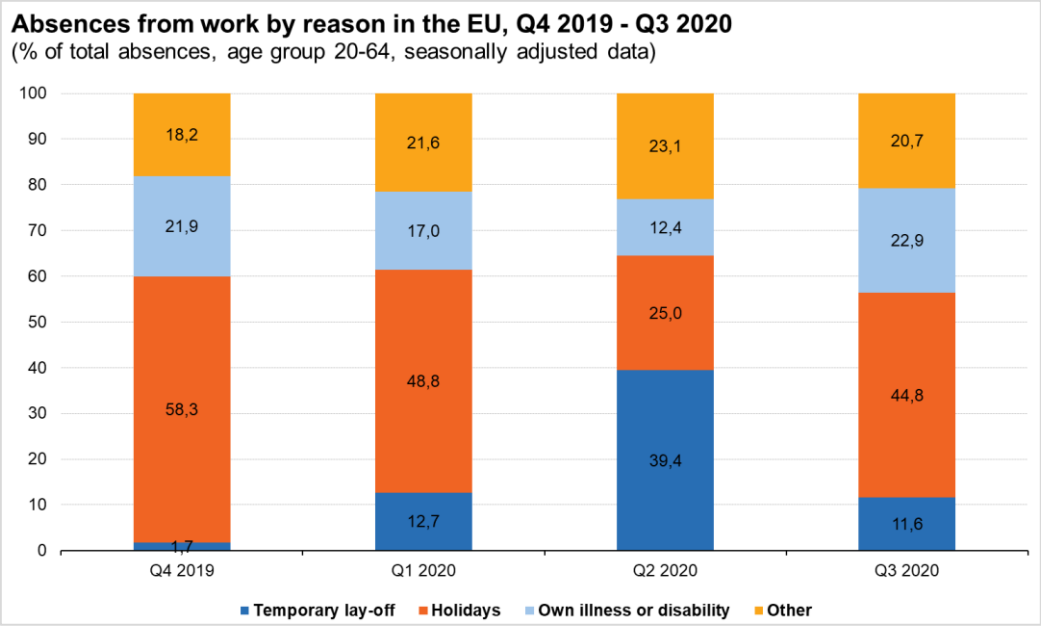
According to the Eurostat monitoring study made in the recent April 2021, in 2020 absence from work reached levels never seen before [55]. By looking at the graph below, indeed, is possible to notice how starting from 2006 until today absence from work has never been so high, even going beyond the level reached during the financial crisis of 2008-2009.



Graph 14: absence from work in EU

[55] Eurostat (2021). Absence from work quarterly statistics. Retrieved from: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Absences_from_work_-_quarterly_statistics

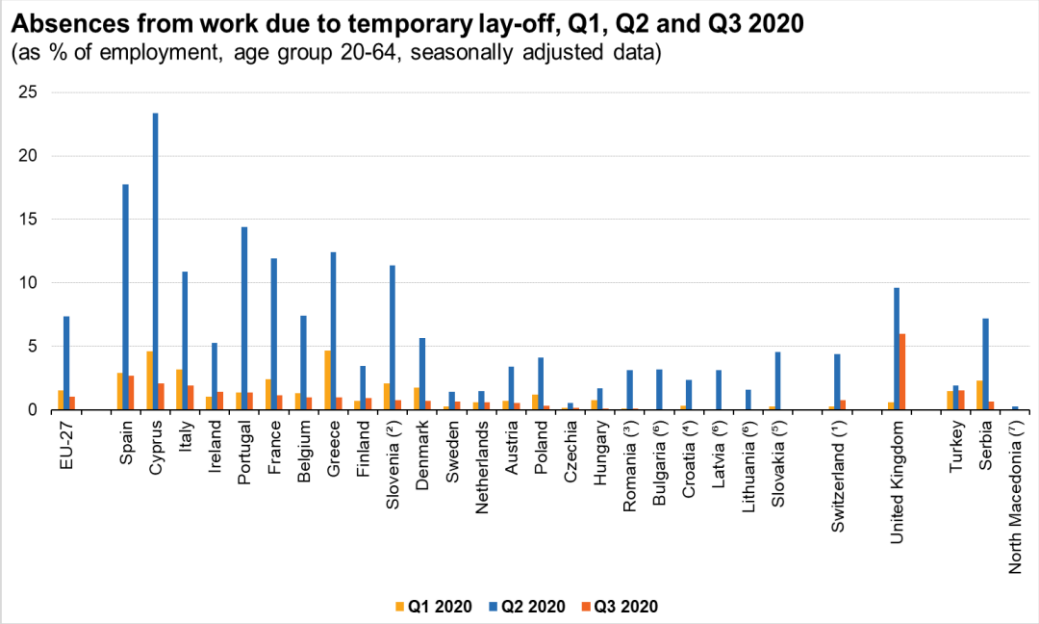
More specifically, the trend goes from 18.1 million European people temporarily absent from work in the last quarter of 2019 up to 23.5 million at the start of 2020, until reaching an even higher level of 35.3 million absent people in the Q2 of 2020. The situation improved after September 2020 thanks to the effects of the restriction that were put in place in many countries, going down to 17.9 million people, closer to the EU pre-pandemic level of 2019. However, in the last quarter Q4 of 2020, the level of absence increased again up to 22.3 million people. Therefore, since in 2020 the period of lower COVID-19 cases corresponds to the period of lower absenteeism, can be argued that the level of absenteeism goes side by side with the severity of the pandemic. In addition, there are also other causes can be linked this increasing absenteeism in 2020. The covid pandemic, indeed, other than affecting the level of illness absence, increased dramatically the number of temporary lay-offs, which are defined as periods when due to lack of work or reorganization the employer can suspend an employee job [56].



Graph 14: absence from work by reason 2019 vs 2020

[56] Layoff definition (2021). The free dictionary. Retrieved from: https://www.thefreedictionary.com/Temporary+layoff

The number of temporary layoffs has always been relatively stable around 0.5 million of people, only in 2009 the number increased up to 1 million. In the second quarter Q2 of 2020 13.8 million were absent for this reason. Is possible to notice this increase also by looking at the structure of absences from Q4 2019 to Q4 2020. In fact, while in the last quarter of 2019 most of the absences were due to holidays (58.3%), in 2020 holidays were replaced by temporary layoffs as the most frequent cause of absenteeism (39,4% in Q2 2020) (see graph 15 below). In particular, even though also for temporary layoffs follow a similar pattern can be observed at EU level with a large rise from Q4 2019 to Q2 2020 followed by a drop in Q3 2020 and an increase in Q4 2020, the severity change country by country. For example, on one hand Cyprus recorded the highest value with 23.3 %, followed by Spain (18.2 %) and Portugal (14.4 %), on the other hand other countries like Czech Republic have never exceeded 1% of temporary layoffs (see graph 15 below).



Graph 15: focus on absence due to temporary layoffs during the COVID-19 pandemic period

Therefore, from the graphs and the data given above is quite clear how the Covid-19 pandemic boosted the level of absenteeism, especially due to both a rise in illness and in temporary lay-offs measures, consequence of which is the so-known redundancy scheme.

2.3. Redundancy scheme

Can be argued that a consequence of temporary layoffs can be the implementation of redundancy schemes. A redundancy scheme consists on a payment given by the employer to employees which are considered no longer useful for the organization [57]. In particular, this instrument has become even more frequent with the advent of the Covid-19 pandemic, since more and more employment contracts have been suspended due to the economic crisis.

For example, in Italy the Government has extended the reasons for access to the "Ordinary Wage Guarantee Fund" (Cassa Integrazione Ordinaria CIGO), which is a State funded salary support. This tool helps employers and employee at the same time, since on one hand it supports employers to keep up by suspending or reducing work activity in crisis situations as the one related to Covid-19, and on the other hand it allows employees to receive 80% of their salary without the fear of been terminated [58]. This wage guarantee instrument has been introduced in 2015 with the act n.148, also called "Jobs Act", which reformed all the previous norms concerning employment income support. According to the Jobs Act, together with CIGO, companies could access also to CIGS "Extraordinary Wage Guarantee Fund" (Cassa integrazione guadagni straordinaria) and CID "Derogatory Wage Guarantee Fund" (Cassa integrazione in Deroga) [59]. These three instruments differ from each other mainly for the type of use and timing. The CIGO, before the Decree law No. 18/2020 of 17 March 2020 that has extended the use up to 52 weeks, could be used only for periods of maximum 13 weeks. The CIGS, instead, can be used

[57] Collins dictionary. Definition of redundancy payment. Retrieved from: https://www.collinsdictionary.com/dictionary/english/redundancy-payment

[58] KPMG (2020). Government and institution measures in response to COVID-19. Retrieved from: https://home.kpmg/xx/en/home/insights/2020/04/italy-government-and-institution-measures-in-response-to-covid.html

[59] European Monitoring Centre on Change (2020). Short-time working allowances (Ordinary Wages Guarantee Fund – CIGO –, and Extraordinary Wages Guarantee Fund – CIGS –, Derogatory Wages Guarantee Fund - CID -, solidarity contracts, solidarity funds). Retrieved from: https://www.eurofound.europa.eu/it/observatories/emcc/erm/support-instrument/short-time-allowances-ordinary-wages-guarantee-fund-cigo-and-extraordinary-wages-guarantee-fund-cigs

for maximum 12 to 36 months depending on the purpose. In general, the application of the CIGO is more related to events when there is a temporary lay-off of workers due to events which are not imputable to the company activity, such as the outbreak of the Covid-19 pandemic. While, the CIGS is an instrument that can used only in firms with more than 15 employees and is more related to events of business restructuring, business crisis or solidarity contracts [60]. Lastly, the CIGD, is more experimental with respect to the previous form of wage integration intervention, because it is aimed to support companies that cannot resort to ordinary instruments because they are originally excluded from this protection or because they have already exhausted the period of fruition of the ordinary protections [61].

Therefore, all the three instruments have been widely used to face the Covid-19 crisis and for this reason they represent the main cause of absenteeism of the year 2020. In fact, as argued in the previous paragraph, making reference to the change in the absence reasons in the last year, temporary lay-offs and consequently the use of redundancy payments has increased dramatically. Especially in the second quarter Q2 of year 2020, holidays and illness are still major causes of absenteeism but what prevail are the temporary job suspension measures adopted by firms. However, even though redundancy funds are not the only state help that were put in place to cope with crisis, this thesis focuses on them since are the most connected with the issue of absenteeism.

[60] PMI.it (2020). CIGO e CIGS e CIGD: differenze. Retrieved from: https://www.pmi.it/economia/lavoro/329308/cigo-e-cigs-e-cigd-differenze.html

[61] INPS. Cassa integrazione in deroga. Retrieved from: https://www.inps.it/prestazioni-servizi/cassa-integrazione-guadagni-in-deroga

2.4. Covid disease

The pandemic has raised new questions regarding the management of workers' absences, especially in the first phase of the pandemic with the total stop of many activities, workers absence was managed mainly through two instruments: vacations and social shock absorbers like the previously defined CIGO [62].

Not only COVID-19 has changed the causes of absence, it has also changed the way absence are managed by companies. During the crisis, both teleworking and the creation of new forms of absence made absenteeism harder to track. For example, to the normal records of vacations, sickness, parental and other kinds of leaves, COVID-19 added extra forms of leave like self-isolation and transformed the meaning of sick leave [63]. For example, making reference to the Italian scenario, there are mainly 3 practical cases to deal with: absence for COVID-19 infection contracted in the company, contracted outside the working environment, or absence for child care in case of COVID-19 infection or in case of suspension of attendance at school teaching activities [62 above]. In the first case, if the infection by coronavirus happens in workplace or during the normal way to and from the workplace, the doctor draws up the usual certificate of injury and sends it electronically to INAIL. In the second case, if an employee contracts the Coronavirus outside of the work environment, the absence from work will be treated as an ordinary illness. The employee will therefore be placed in quarantine with active surveillance or in a fiduciary home stay with active surveillance, and must remain inside his home with the prohibition to leave it or work until the doctor releases the healing certificate. Whereas, if the employee is waiting for the result of the swab test or has come into contact with a positive person, the absence will be managed as an illness

[62] Mancini P. (2021). Ferie, permessi e congedi: come gestire le assenze dei lavoratori ai tempi del Covid-19. Retrieved from: https://www.ipsoa.it/documents/lavoro-e-previdenza/amministrazione-del-personale/quotidiano/2021/04/22/ferie-permessi-congedi-gestire-assenze-lavoratori-tempi-covid-19

[63] Wainewright P. (2020). COVID-19 is changing how companies track absence, says E-Days CEO. Retrieved from: https://diginomica.com/covid-19-changing-how-companies-track-absence-says-e-days-ceo

too, but only in the presence of a medical certification. Otherwise, it will be managed with vacations and leaves. Lastly, in the 3rd hypothesis of a parent of a under 16 years old child experiencing suspension of the educational activities or COVID-19 contagion, the employee is allowed to work in agile mode for the entire period or to take extraordinary leave. Here's below a table summarizing all the three situations described above (see Table 15).

Absence Type	Details	Cost	Illness?
Medical Quarantine	Must be certified by the Department of prevention of the ASL (local health authority).	The State bears the cost.	Yes
Covid Illness (contracted outside the working environment)	Must be certified by the personal GP.	Equal to the common illness cost.	Yes
Covid Injury	No need of certifications because contracted outside the working environment.	INAIL and a firm supplementary cost.	Injury
Quarantine of a cohabitating <16 years old son	Must be certified by the Department of prevention of the ASL (local health authority).	If the son is between 14- and 16-years old workers can work in agile mode or take supplementary leaves, which do not imply a cost for the firm. If the son is below 14 years old the employee receives a compensation equal to the 50% of his/her salary.	No
Secondary school suspension of a cohabitating son	Can be requested only if the worker has a son attending the secondary school with suspension of the lectures in presence in areas of risk.	The worker can request an extraordinary leave, which do not imply a cost for the firm. In this period the worker receives the 50% of his/her normal compensation.	No
Covid illness of the 3-8 years old son	Must be certified by the personal GP.	Unpaid leave that can be asked only by one of the two parents for maximum 5 days per year if the child is more than 3 years old.	No

Table 15: Diverse Covid-19 illness administrative treatments[64]

[64] Camera R. (2020). Assenze dei lavoratori per Covid-19: come gestirle e con quali costi per le aziende. Retrieved from: https://www.ipsoa.it/documents/lavoro-e-previdenza/amministrazione-del-personale/quotidiano/2020/11/13/assenze-lavoratori-covid-19-gestirle-costi-aziende

In the context of COVID 19 the behavior toward absence changed completely, the main causes of absenteeism shifted from the ones deepened in the previous chapters, such as stress and job dissatisfaction, to the fear of employees becoming infected by going to work and infecting their family in turn. However, opposite to this fear people were afraid of loosing their job due to too many missed days of work. Thus, these two opposite fears created a situation of pandemic stress that was partially solved thanks to smart working and other tools of physical distancing [65]. Other than that, since the fear of infecting their families for employees was one of the leading causes of absenteeism from the workplace during the pandemic, because they preferred to be absent rather than putting their beloved at risk, for companies became crucial to implement all the necessary facilities in order to make them feel safe and protected withing the working environment. For example, there may be the need to implement new cleaning and sanitization protocols together with changing the layout of the workspace with the purpose of liming the number of people allowed to access to the buildings. Oher than that, also guidelines on how to deal with new cases of infections, in order to both communicate timely to limit the spread of the virus and to be respectful of the person privacy [66].

Along to the sanitary precautions to prevent the diffusion of germs throughout the office, the management team has a primary role in limiting employee's absenteeism due to the anxiety of going back to the normal work routine. On this purpose SHRM, an international human resource consultant company, delivered an article describing in bullet points the approaches that the

[65] Grigore O. (2020). Factors Contributing to Work-Related Absenteeism during the COVID-19 Pandemic. Management dynamics in the knowledge economy. Retrieved from: https://www.researchgate.net/publication/347516623_Factors_Contributing_to_Work-Related_Absenteeism_during_the_COVID-19_Pandemic

[66] Pwc. Returning to the workplace after COVID-19: What boards should be thinking about. Retrieved from: https://www.pwc.com/us/en/services/governance-insights-center/library/covid-19-returning-workplace-boards.html

management need to adopt to reassure employees and make them come back to work in the office [67]:

- Enhance communication with employees regarding the recent developments of the pandemic and the measures taken by the company;
- Empathize and listen employees concerns in presence or by implementing free counselling sessions by phone.
- Encourage employees to take vaccination or swab tests
- Be creative in rearranging working schedule with teleworking or job rotations with the aim of reducing the people working in presence and so the risk of contracting the virus.

[67] SHRM. How can we reassure employees who are worried about the coronavirus?. Retrieved from: https://www.shrm.org/resourcesandtools/tools-and-samples/hr-qa/pages/how-can-we-reassure-employees-who-are-worried-about-the-coronavirus.aspx

Chapter 3: The Luxottica Case

Figure 1: Luxottica Headquarter Agordo (BL), Italy.

This chapter is aimed to analyse how companies cope with the cost generated by uncontrolled absenteeism, how they develop control systems and implement technologies aimed to limit its negative impact on the company performance. As this thesis explained in the previous parts, absenteeism is a severe burden for companies both from a psychological and economic point of view. Starting from employees' personal problems or low morale, indeed, absence goes directly to damage organizational results by negatively impacting productivity and culture. In order to prove so, this chapter will take as an example one specific company, named Luxottica Spa. The reason why this company has been selected for this purpose is that it is the firm where I have been working for 1 year as HR Controller, and so, where I had the occasion to analyse deeply all the dynamics related to labour cost and labour KPIs variances. In Luxottica, among the main KPIs, such as overtime and

turnover, absenteeism is the one to which is given the greater attention since it reveals also other issues that sometimes are harder to see from a human resource point of view. As the matter of fact, here started the willingness to study more in details this matter, especially how the company deals with it.

3.1. Luxottica company description: global firm [68] [69]

Luxottica can be defined a real global firm. The company, indeed, is a leader in the market for fashion, luxury and sports eyewear worldwide. One of the reasons that enabled the group to achieve its competitive advantage is the decision to follow a vertical integration strategy. The company focus is on all the steps of the value chain: from design, product development, manufacturing, logistics to the distribution of eyewear. In particular, the first phases of product design, development and manufacturing take place in the main manufacturing plants located in Italy in Agordo, Sedico, Pederobba sited in Veneto, Lauriano sited in Piemonte, Rovereto sited in Trentino and Barberini, one of the last acquired firm specialized in lens and eyewear production located in Abruzzo. Other than in Italy, the production is spread all around the world across Germany, China, Japan, India, Brazil and US.

Therefore, just looking at the production side is possible to see the company international footprint. In addition, if the reference goes to the corporate and distribution side of the firm, then the company is even more internationally expanded. The Group's wholesale distribution network covers more than 150 countries across five continents and is complemented by an extensive retail network of approximately 9,200 stores among which the well-known Lens Crafters in North America, the recently acquired Salmoiraghi & Viganò in Italy and the international Sunglass Hut. Especially in the last few years period, other than physical in-store distribution, the company started to implement

[68] EssilorLuxottica. Company websites. Retrieved from: https://www.essilorluxottica.com/mission

[69] Luxottica. Company website. Retrieved from: https://www.luxottica.com/en/about-us/company-profile

several e-commerce platforms, from the main brand websites such as Ray-Ban.com, Oakley.com, Persol.com, Vogue-Eyewear.com, to the one related to its retail and wholesale distributors like SunglassHut.com, LensCrafters.com, ContactsDirect.com and Glasses.com. A wide array of channels is needed to sell a wide array of brands. On one hand the company has its own brand portfolio, which includes Ray-Ban, one of the leading life-style brands, Oakley, the leader sport and performance, together with Vogue, Persol, Oliver Peoples and many others; on the other hand, it has over than 20 licensed brands including Giorgio Armani, Burberry, Chanel, Dolce & Gabbana, Michael Kors, Prada, Ralph Lauren, Tiffany & Co., Valentino and Versace. This strong and large portfolio of brands enables the company to be flexible and meet the most diversified customer demand by serving every segment of the market with variety: from the latest design or high-performance to innovative lenses or care services for eye health.

The long-term strategy of the Group is, given its actual huge potential, to continue to expand the eyewear and the eyecare sectors both organically, through new licensing agreements and acquisitions. M&A are going to be crucial investments for the company in order to penetrate emerging market or simply to expand its market incorporating other businesses like the ones related to lenses. The proof is the recent merger between the Italian company and the French Essilor, leader in the production of lenses. Thanks to this deal the company resulting from the merger, named now "EssilorLuxottica" has the objective of bringing together the Luxottica's expertise in eyewear and the Essilor's knowledge in eye care and lenses development, in order to pursue the company mission in the market stronger than before. The Luxottica's slogan "To see the beaty of life" becomes, indeed, the starting point for the company mission: protecting the eyes but caring about the look and the image of the consumer too. Therefore, if on one hand the focus is on how essential glasses are to the well-being of consumers, on the other hand glasses becomes a mean to for consumers to communicate their personal style.

3.2. Methodology

The data that will be presented in the following session need to be taken as approximation and guidelines in order to understand the trend of the absence level in the company. These qualitative and quantitative information have been taken from my working experience in Luxottica, so they are very firm specific and may contain private information about people absence and working behavior. The reason why this topic is so crucial and "niche" is that data about employee's absence are private and must not be published by the firm. This premise is needed in order to clarify that the numbers that will be shown are not the real absence percentage of the firm taken as given, but they will be either modified by multiplying them for a constant number "K" or simply not disclosed, especially when graphs will be presented. Therefore, a case study is a proper method to show absenteeism results since, for the reason clarified above, otherwise data will be hard to be collected from public sources or online with a simple web research. In addition, Luxottica Group is one of the most famous firm in Italy for the implementation of welfare practices and for employee's care, reason for which analysing people behavior towards absence in such a firm would be interesting to see whether welfare policies show or not effective results in managing this issue.

The main sources to which this thesis makes reference to in order to show how the trend of absenteeism in Luxottica and how the firm manage the problem are data coming from internal reporting. Within the HR Controlling function for which I had the occasion to work, data are extracted daily, included in reports, monitored and communicated to the HR direction. The variety of reports is huge, since they are usually tailor made for each category of workers depending of the specific business requests, both white-collar and blue-collars, with a special focus on the latter. It is important to point out that the data that have been collected are completely reliable since, even though modified for privacy and confidentiality reasons, are routinely shown within the firm. The commitment in constructing these reports has also been huge, since data and all the other quantitative information are the first mean for our HR Controlling team to give directions to the business and advice regarding best the future direction to pursue. Moreover, the role of absenteeism has widely increased

especially in the last two years dominated by the COVID-19 pandemic, which made the absenteeism for illness even more crucial to be monitored. Reason for that, a specific chapter has been written with the purpose of showing the impact of the pandemic on absence management.

In addition, all the administrative information to which the case study analysis makes reference to come both from the National Collective Labour Contract (CCNL) of the eyewear sector, the Integrative firm contract (CIA) and the specificities cleared-out by national public entities specialized in human resource management. In particular, that information referring to international contexts are coming from interviews to the human resource managers of the different countries in which Luxottica's production in based.

3.3. Absenteeism in Luxottica

This paragraph is willing to show how absenteeism is viewed and managed by the company both at the Italian and the international level. The argument will be developed starting by defining the types of absence measured by the company, both at the Italian and the international level, considering the specific cases of US, Brazil, China, Japan and India. Then, main focus will be on the absenteeism due to injury and illness and its impact on productivity. Concluding, by describing the methods and policies implemented by the company to reduce the negative impact.

3.3.1. Types of absence

As all the other firms operating in the eyewear sector, Luxottica follows the norms and principles stated in the CCNL (National labour collective contract), which is an agreement signed by both employers and trade unions associations in order to define and regulate the labour relationship. In addition, as briefly described in the previous chapters, the specific sectorial CCNL is supplemented by the CIA (Firm integrative contract), in which the single firm defines other requirements that must be followed in addition to those written in the CCNL. Therefore, the CCNL is a national contract to which all the firms belonging to a specific sector, for example the eyewear, need to

comply. While, the CIA contains specific and supplementary requirements to which only the firm has to comply with.

The main reasons for absenteeism that we can find in an international firm like Luxottica that this thesis is going to deepen are the following:

- Redundancy fund
- Parental leaves
- Holidays and vacations
- Illness
- Injury
- Maternity leaves
- Paid leaves
- Union permits

However, this paragraph is not going to focus on illness and injury because they will be described more in details in the next ones.

In Italy, all these reasons for absenteeism are all regulated and defined by the CCNL and the CIA of the specific firm. For example, union permits are leaves that can be enjoyed by the trade unions representatives (RSU) working within the company. In particular, they accumulated 8 paid hours each month that they can spend doing trade union activities within the firm, instead of doing their normal working routinary activities. The treatment of these trade union activities is different depending on whether workers are asked to engage in the activity by the firm or because of their own choice. In the first case, when is the firm or specifically the HR calling the worker, he or she can engage in the trade union activity without using any accrued leave, whereas, when is the worker that voluntarily participates in trade union activities he or she has to consume the accrued 8 hours per month.

These kinds of permits are only one part of all the paid leaves those employees can benefit from. In addition, for example, up to 5 paid days to take care of child birth or adoption are granted to employees who newly become fathers. Of course, these leaves need to be used withing 2 weeks from the adoption or birth of the child and must be accurately documented. Moreover, until the child reaches 13 years of age, fathers can also make use of 3 paid days to take care of them (art. 6.4.1, CIA). Furthermore, with the social aim of balancing working

and family needs, parental leaves are granted to both parents (art. 6.4.4, CIA), but they need to be requested at least 48 hours before and preferably used at the beginning or at the end of the working day. For example, here follow some examples of parental leaves: 5 days to help them with nursery school inclusion (art. 6.4.2, CIA) or daily not paid leaves to take care of the child in case of medical problems (art. 6.4.3, CIA) that should be supported by a medical proof submission [70]. Other than fathers, there is strong focus in helping mothers. For instance, especially in the reintegration time-span when they get back from the due maternity period, they can ask for work-time reductions by the allocation of a part-time (art. 6.4.12 and art. 4.15.4, CIA).

Other than for leaves, employees are often absent also due to holidays, vacations or for temporary layoffs caused by the use of redundancy funds (CIGO, CIGS or CIGD). As argued in chapter 2, the recent Eurostat analysis made in April 2021 showed that the Covid-19 pandemic, other than affecting the level of illness absence, increased dramatically the number of temporary lay-offs. Holidays, indeed, that in 2019 were the most frequent reason for absenteeism, during the last 2 years have almost been replaced by temporary layoffs. Regarding holidays, need to be underlined that national holiday periods during which productive plants are closed are not counted in the calculation of absenteeism. Therefore, only holidays taken voluntarily by the employee during common working days should be considered. Making a specific Luxottica example, in the case of a closed productive plant due to summer holidays, those days will not be taken as absence hours to be included in the absenteeism percentage, but only national holidays will (i.e. Christmas, Easter, etc.).

One last remark that need to be made before proceeding with the analysis is that historically in Luxottica the level of absenteeism has always been measured mainly regarding the direct labour. When talking about direct labour, the reference goes to all blue-collar workers whose job consists of producing pieces (eyewear in this specific case). On the opposite side of direct

[70] Luxottica CIA (Contratto integrativo aziendale), (2019). Retrieved from: http://www.femcacisl.it/wp-content/uploads/2019/06/Accordo-Luxottica.pdf

labour there are staff workers, also called “fixed”, which are all those white-collar workers whose job is not producing pieces but supporting the business activity working in offices. For example, the world of fixed workers covers functions such as HR, Controlling, R&D, Finance, IT, Supply chain, Engineering and many others. In the middle of these two categories, direct and fixed workers, there are those employees called “indirect”. These people are located in between since their job is neither producing pieces, such as the one of direct workers, nor working in the office, like fixed workers, but they support the productive process thanks to activities such as maintenance or warehouse management. The reason why the company monitors absenteeism mainly of the direct labour people is that, since they work directly on the production of goods, more hours of absence are directly linked to a decreasing productivity level. However, this concept will be deepened in paragraph 3.3.3. “The strong focus on injury and illness” and 3.3.4. “Absenteeism impact on productivity”.

3.3.2. Italian scenario compared to other countries specificities

It can be argued that when comparing absenteeism around the world each country has its own specificities due to legislation or customs that have been developed through time. First, this paragraph is aimed to compare absence data and show how different countries have different patterns of absenteeism. Second, another important aim is the one of going deeper in the analysis of the data and give an explanation of why the patterns of the different countries differ among each other. In order to do so, 6 countries will be taken into account: Brazil, US, China, Japan, Italy and India. The choice of selecting these countries arise from the fact that Luxottica productive plants are based there and, also, by selecting countries from different regions of the world the comparison will be much clear.

For this analysis the period taken into account is from January to July 2021. The reason why only 2021 has been taken into account is that the weekly collection of global data regarding absenteeism started at the beginning of this year. Moreover, as the previous paragraphs concerning the “methodology” pointed out, the lines showing the absence pattern of the different countries throughout 2021 in the graph below are showed without a value scale (see

graph 16 below). The reason for this choice is strictly linked to the privacy of the data. When analysing absenteeism, indeed, you can go deeper on the single person and see why he or she has a particular absence pattern. However, this is not the objective of this thesis.

As described in the previous paragraphs, the lines below are constructed by dividing absence hours of all the direct labour people (i.e. those people producing pieces) by their theoretical hours. Therefore, when looking to an absence rate, the calculation is made starting by theoretical hours, the part of working hours which gets lost because of absence. From the table below (see table 16) is possible to see the difference between working hours and theoretical hours. In particular, theoretical hours in a specific period include working hours, absence hours and those hours which are not worked but are paid, for example the periods of redundancy or those legal holidays falling from Monday to Friday [71].

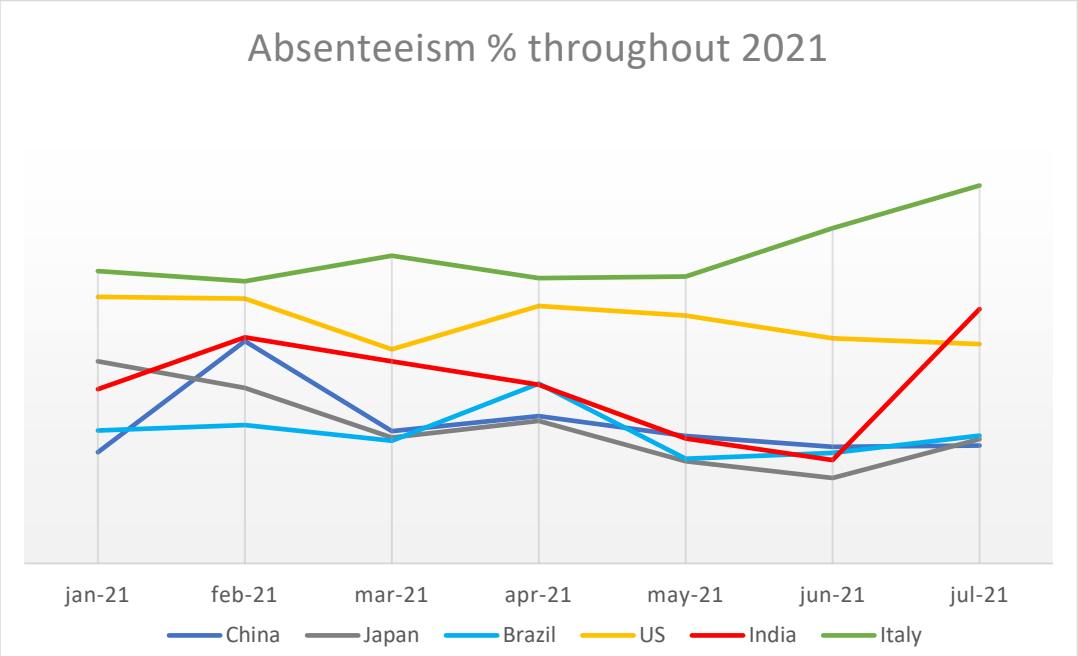
THEORETICAL HOURS		
WORKING HOURS	ABSENCE HOURS	PAID UNWORKED HOURS (I.E. VACATIONS, REDUNDANCY FUND, LEGAL HOLIDAYS FALLING DURING WORKING DAYS)

Table 16: Theoretical hours vs working hours [71]

After having defined the methods of calculation, the periods and all the other elements taken into account, from the graph below is possible to see how the absence rate of the different regions differs. However, when looking at the data it is important to take into consideration the COVID-19 bias effect that

[71] Assindustria Venetocentro (2020). ORARI E ASSENZE DAL LAVORO. Retrieved from: https://www.assindustriavenetocentro.it/confindustria/venetocentro/istituzionale.nsf/attachments/B14F0600A925B101C12585980027691C/$file/report%20orari%20e%20assenze%20dal%20lavoro_2020.pdf?openelement

influence the absenteeism value in the year 2021. Therefore, when looking at the absence rate trends, it needs to be clarified the pandemic impact and consequence is not homogenous among countries.



Graph 16: absenteeism % pattern of Luxottica's productive plants in 2021

3.3.2.1. Brazil

Absenteeism on the direct labour force, both temporaries and employees, is calculated from Monday to Saturday, which are considered working days. Therefore, is not possible for people to do overtime on Saturday, because they are considered as true working days. In Italty, instead, working Saturdays are considered full overtime days. Moreover, injury and illness in the country are considered in the calculation only for the first 15 days from the day in which they take place. For governmental reasons, indeed, long time span absences are not recorded in the company because it is entitled to paid time off at the usual salary rate only for the first 15 days of injury and illness. Any further days off are paid through fixed rates by the National Institute of Social Security

(INSS) [72]. In addition, the Brazilian branch has a system for which absence, except of those for injury and illness, can be compensated with overtime. Meaning that the person can recover absence hours doing more hours at work (i.e. overtime). However, this is possible only for indirect and fixed people, which are not the focus of this analysis.

3.3.2.2. India

In the Indian branch people work from Monday to Friday, except for few indirect workers such as electricians. Therefore, absenteeism on direct labour is calculated only on those days. Moreover, most of the absences are authorized, such as maternity and paternity leaves and earned leaves, but there are also casual and sick leaves. Looking at graph 16, the Indian absence rate started to decrease from February 2021 to June 2021 after an important period of Covid-19 contagion; however, from June 2021 on the absenteeism started to increase again due to post-vaccination symptoms and the rise of the new Covid variants.

A typical aspect in which the Indian branch differs from the Italian one is that there are huge periods of religious holidays when people do not work for several weeks in order to leave the plant and go to celebrate with their families. These periods are typically the ones characterized by the highest level of absenteeism.

3.3.2.3. China

As in the case of India, also in China absenteeism is subject to large increase due to periods of holidays when employees leave the firm to celebrate with their families. The most well-known examples of these holidays are the Chinese National day in October and the Chinese New Year in February (see the February peak in graph n.16). As argued before when referring to absenteeism calculation, the absence rate in these periods is not higher due to

[72] De Medeiros Redi et Al. (2018). Employment and employee benefits in Brazil: overview. Retrieved from: https://uk.practicallaw.thomsonreuters.com/1-503-5032?transitionType=Default&contextData=(sc.Default)&firstPage=true#co_anchor_a203458

the holiday days per se', but due to the following vacation and leave periods asked by workers in order to go home to their families.

Absenteeism represents a big issue also in China. In the Chinese branch productivity suffers a lot the high turnover of the country, because of the large number of people leaving the firm or staying within the firm only for very short periods until they find a better remunerated job. Therefore, is not sustainable for the firm productivity to have also a high absence rate.

3.3.2.4. Japan

In the Japanese branch, like in Brazil, absenteeism is calculated from Monday to Saturday. In fact, one of the main reasons of the increasing absenteeism in some periods is that, due to working Saturdays, sometime employees ask for additional leaves in order to avoid to work in the weekend. Moreover, similarly to China and Italy, firm collective closures are excluded from the absenteeism calculation. In particular, in the country branch is not possible to disclose the workers' level of injury and illness due to the high level of trade union protection.

3.3.2.5. US

Like in China, also US present a high turnover rate, therefore it is even more important to control absenteeism and avoid additional productivity inefficiencies. In particular, by looking at the graph above, is possible to notice that US data show a trend which is closer to the Italian ones. In addition, also here absenteeism is calculated on from Monday to Friday. Therefore, it can be argued that the two regions' data are pretty similar also due to a cultural similarity.

3.3.3. The strong focus on injury and illness and the impact on productivity

After having described how Luxottica deals with absenteeism and the main differences among the branches located around the world, this paragraph is aimed to focus on the most significative indicator of absenteeism in Italy: injury and illness (I&I). The reasons why this is the most significative are the following:

1. Looking at injury in a productive plant is important in order to understand whether the firm and the people working in different areas are complying with safety measures.
2. For a firm, and particularly for an HR Business Partner (HRBP) is difficult to reduce absenteeism related to redundancy, because it is usually a mean used when the firm is in financial difficulties. For example, during the Covid-19 global crisis 2020-21 Luxottica decided to use this method of wage protection, by letting workers stay at home.
3. For a firm, and particularly for an HR Business Partner (HRBP) is difficult to reduce absenteeism related to holidays and vacations, because they are important in order to achieve work-life balance and usually a given amount of vacation hours are mandated by the law.
4. Other elements that are hard to reduce are parental leaves and maternity leaves. As leaves taken for vacation and holidays, they are prescribed by the law and they are important in order to help workers and make them understand that the company support is not present only in the working environment.
5. Also trade union leaves are difficult to be reduced, because they are necessary for trade union's representatives in order to perform their activities.

Therefore, injury and illness absenteeism are the areas in which the firm needs to focus more and spend more resources in assessing the causes, controlling and preventing the phenomenon. Moreover, as argued in the first chapter in the section describing the causes and cost of injury and illness, sometimes

there is more behind illness, for example hidden problems of the worker that can go from stress, mental health problems and personal problems, to low motivation or desire to leave the company.

The company gives priority in setting objectives and control systems in order to reduce absenteeism. The proof of this consideration is given by the fact that one of the indicators that must be achieved in order for employees to get the annual Luxottica's Award is related to injury and illness absenteeism. This award is given every year to compensate employees for their good performance, if and only if, some performance thresholds are met. First of all, the direct labour force injury and illness absenteeism indicator, then there are also other indicators related to whether the production plan has been achieved, to payroll efficiency, to waste reduction and sustainability, both in terms of environment and energy. Moreover, the award is given considering also the annual company's revenues. Therefore, it can be argued that, linking the problem of absenteeism to the annual award is also one way for the company to reduce the problem. In fact, only if the yearly worker's absence hours are less than 24 for white-collars and 63 for blue-collars they can get the prize in full. Otherwise, as absenteeism grows, the prize amount goes on the opposite direction (see table 17 below).

Blue-collars		White-collars and Managers	
Illness hours	**% Accrued award**	**Illness hours**	**% Accrued award**
0-63	100	0-31	100
64-71	96	32-39	96
72-79	92	40-47	92
80-87	88	48-55	88
88-95	84	56-63	84
96-103	80	64-71	80
104-111	76	72-79	76
112-119	72	80-87	72
120-127	68	88-95	68
128-135	64	96-103	64
136-143	60	104-111	60
144-151	56	112-119	56
152-159	52	120-127	52
160-167	48	128-135	48
168-175	44	136-143	44
176-183	40	144-151	40
184-191	36	152-159	36
+192	830 € before taxes	+160	830 € before taxes

Table 17: relation among absence hours due to illness and award amount (retrieved from Luxottica's CIA [70])

For example, on blue-collar worker who recorded 66 hours of illness is going to receive only the 96% of his or her accrued award. In general, as is reported in the table, the minimum amount that can be received for a 12 months full time worker who has worked at least 1840 hours in that year is 830 euro before taxes. However, if the person has been hired in the firm in the middle of the accrual period, the amount is reproportioned. In particular, the prize is usually provided in July and the reference period for the calculation of the injury and illness hours goes from May to April. Meaning that for the Luxottica award of the year 2020, the reference period goes from May 2019 to April 2020. It is also important to underline that those serious cases of hospitalization and illness (as defined in the art. 8 of the CCNL) are not

considered in the calculation. One problem brought by the Covid-19 pandemic, indeed, was how to deal with the large amount of Covid illness and quarantine for which employees had to stay at home a large number of days, impacting they award.

In addition, referring to table 17 above employees with a number of illness hours that enabled them to receive the 100% of the award, can get an increase which is then summed up to the prize amount. Table 18 below reports the specific increase amounts.

Blue-collars		White-collars and Managers	
Illness hours	**Increase amount before taxes (€)**	**Illness hours**	**Increase amount before taxes (€)**
0	+500	0	+500
1-24	+300	1-8	+300
25-56	+200	9-24	+200

Table 18: relation among absence hours due to illness and the increase (retrieved from Luxottica's CIA [70])

According to the economy newspaper "Il Sole 24 ore" in the 2021 the Luxottica Award given to employees goes beyond the expectations the unions given all the criticalities surrounding this year. Filctem Cgil, Femca Cisl, Uiltec Uil have indeed undersigned with the company an agreement stating that the final result prize might be able to reach 2,700 euros [73]. In particular, it will be defined by looking at 3 main elements:

1. The indicator of the consolidated financial statements of the EssilorLuxottica group, which enables all employees to get a basic amount equal to 1,420 euros.
2. The worker individual performance, evaluated by looking at the level of attendance and absence as defined above, the length of the service and presence in positive flexibility (the possibility given by

[73] Casadei C. (2021). Luxottica valorizza il welfare: nell'anno del Covid premio fino a 2.700 euro. Il sole 24 ore. Retrieved from: https://www.ilsole24ore.com/art/luxottica-valorizza-welfare-nell-anno-covid-premio-fino-2700-euro-AEQezHE

the firm of increasing the number of weekly working days in "peak" periods, that is counterbalanced by periods of negative flexibility when, in periods of low production, the number of weekly working days can be decreased [74]). As argued before, the year 2021 has been exceptional for absence management due to the rise of the Covid-19 pandemic, since many people increased their absence level due to quarantine period or covid infection. For this reason, absences have been considered unusually also in the computation of the annual award. Only those for the period May-December 2020 have been counted, excluding from the count those due to Covid-19, quarantine, precautionary homestay required by the company and redundancy layoffs. Moreover, also parental leave days will also be counted as days of attendance, in order to protect the most fragile individuals and for employees to stay closer to their families in this unusual period.

3. The improvement in the 'gate' indicators provided by the company CIA.

It is clear that the company exploits the annual award with the purpose of decreasing the employees' absenteeism level. However, other than employees there are many workers which are called "temporary staff" or "contractors". These people do not have a contract with the company itself but they signed it with a specific working agency, that afterwards provide the labour force to the company in exchange for a fee. Especially when referring to direct employees, is it common to have many temporary contracts, because it is difficult for the company to recruit and hire the large amount of people that is needed in order to face production peaks. In general, "peaks periods" happen in festivity periods, such as during Christmas holidays when people are more willing to buy goods and presents. This means that lots of additional workforce is needed, because the increasing demand has to be managed with an increasing

[74] Equipe. Retrieved from: http://www.equipeonline.it/flessibilita-annua

production capacity, logistics and distribution efficiency and after sales and claims management attention.

Normally, as argued in the previous paragraph, the company focusses on monitoring the direct labour force absenteeism. However, the attention goes particularly on employees, and not on contractors, because of their open-ended contracts. Having a more "secure" contract, indeed, sometimes make them feel free to increase their level of absenteeism despite the consequences, in contrast with temporary staff people who have a more "precarious" contract and so are less keen to record unjustified absences However, in the "peaks" periods, when a large number of temporary contracts is signed, the company pose its attention also in the level of contractor's absenteeism.

3.3.5. Methods to monitor and reduce absenteeism: a mix between welfare and soft skills

Among the main methods that the company uses in order to reduce absenteeism there are the parental and etic bank of hours, the smart-working and the annual award, which has been widely described in the previous paragraph. Since absenteeism is closely linked to production, setting an incentive such as the annual company bonus which level depends largely on the level of absence is an important way to keep track and limit unjustified absences. However, being the annual reward already discussed in the previous paragraphs, now the focus is more on bank of hours and smart-working.

Bank of hours, or time off in lieu, is a system thanks to which employees who has worked extra hours can take extra time off from work above their normal working week instead of accumulating more earnings [75]. The company offers this opportunity for employees together with a wide array of other options that they can use in order to avoid unjustified absences and exploit overtime work to stay closer to their family. One novelty of the year 2021 that has also helped a lot employees during the covid-19 pandemic is the parental bank of hours. Thanks to this new welfare initiative, now parents with children from 0

[75] Cambridge dictionary. Time off in lieu. Retrieved from: https://dictionary.cambridge.org/it/dizionario/inglese/time-off-in-lieu

to 14 years old and beneficiaries of the law 104 (for themselves or family members) are guaranteed 2 additional working days, corresponding to 16 hours, to be used by January 31 2021 to stay with their families. The hours in question are paid at 50% and if the parents are both Luxottica employees only one will be able to use them[76]. Moreover, for part-time contracts they will be re-proportioned on the basis of the specific part-time percentage. As stated above, this new welfare measure helped a lot employees during the covid-19 pandemic period and helped also to reduce the absenteeism issue allowing workers to take some more time off to take care of their families in that particularly delicate period.

In addition, the company provides to its employees also the "ethical hour bank" to donate part or all of their set aside hours, doubled by Luxottica, to one or more colleagues needing extra time home[77]. Usually in every company there are people willing to work more and others that need more time off because of personal and family issues. Therefore, this welfare tool helps to balance these two interests and to avoid additional unjustified absences.

The year 2020 and the start of 2021 presented great challenges but also an extraordinary opportunity for the company to give new and urgent meaning to its corporate social role. The Group's priority was to protect not only its employees and their families, in the tradition of Luxottica welfare, but also its reference territories, partners and optical customers. With the aim of minimizing the pandemic and the economic crisis impact caused by the Covid-19 outbreak several measures were put in place. The company, indeed, kept always an eye on the health of its employees by intensifying safety protocols, introducing temperature controls, distributing masks every morning to everyone entering in the firm. Moreover, the firm even engaged in a real face masks production in collaboration with the Italian government, making

[76] Gabrieli R. (2020). Luxottica, banca ore parentale per i genitori con figli malati di Covid o disabili. Il Gazzettino di Belluno. Retrieved from: https://www.ilgazzettino.it/nordest/belluno/luxottica_banca_ore_parentale-5623484.html

[77] Ganz B. (2017). Luxottica mette a disposizione bonus vita e banca ore etica. Il sole 24 ore. Retrieved from: https://www.ilsole24ore.com/art/luxottica-mette-disposizione-bonus-vita-e-banca-ore-etica-AEQgogEB

everyday up to 3 million masks per day [78] (See Figure 2 and 3 below: Palaluxottica face masks production plant).

Figure 2: Palaluxottica face masks production plant located in Agordo (BL), Italy.

Figure 3: Palaluxottica face masks production plant located in Agordo (BL), Italy.

[78] Luxottica. (2020). LUXOTTICA AVVIA LA PRODUZIONE NAZIONALE DI MASCHERINE AL PALALUXOTTICA DI AGORDO. Retrieved from: https://www.luxottica.com/it/luxottica-avvia-produzione-nazionale-mascherine-palaluxottica-agordo

The company donated over 2 million units of personal protective equipment in total including safety goggles, protective eyewear and face masks to hospitals, public institutions, employees and partners where it operates including China, Italy, France, Germany, Spain, Portugal, the US, Brazil, Colombia, Israel, Australia, India, Bangladesh, and many more [79].

In addition, the company introduced scheduled shifts to eat in the company canteen, adding also plexiglass barriers across tables to meet as much as possible social distancing requirements [80]. Also the other spaces have been redesigned to meet new security needs, and smart-working has been enhanced everywhere. Furthermore, in Italy, in collaboration with the University of Padua, a project of research and active surveillance of contagions has been launched, which allows employees, cohabiting family members, partners and optical customers to access free swab tests to verify the positivity to the virus (see figure 4: on the road swab tests). This important model of prevention has grown progressively over the year, and is going forward by starting the Covid-19 vaccination campaign for all workers who express their interest in undertaking vaccination [81] (see figure 5: Sedico (BL) Vaccintion point).

[79] EssilorLuxottica (2020). EssilorLuxottica joins the fight against COVID-19. Retrieved from: https://www.essilorluxottica.com/essilorluxottica-joins-fight-against-covid-19

[80] Luxottica. (2020). LUXOTTICA: SOLIDARIETÀ E WELFARE PER COMBATTERE IL COVID-19. Retrieved from: https://www.luxottica.com/it/luxottica-solidarieta-welfare-combattere-covid-19

[81] Laborability. (2021). Vaccino anti Covid-19 in azienda, Luxottica avvia la "pre-adesione". Retrieved from: https://laborability.com/storie-di-lavoro/vaccino-anti-covid-19-in-azienda-luxottica-avvia-la-pre-adesione

Figure 4: On the road swab test provided by Luxottica for family members and optical clients

Figure 5: vaccinal point in Sedico (BL), Italy in collaboration with the local ULSS

Furthermore, needs also to be mentioned the initiative of the company to compensate the money lost by employees during the Covid redundancy fund period and the 500euro welfare compensation for the people that during the

redundancy fund period were asked to go to work in presence putting at risk their health [82].

Together with the prevention of the Covid-19 diffusion the company promotes in its non-financial statement of 2018 the "Zero accident program"[83]. This initiative is aimed to promote the safety of the workplace by preventing accidents in the workplace that, together with illness, are one of the areas where the management can act to reduce and control absenteeism. In 2007 the Group launched its "Zero accidents" program in Italian sites, and it was subsequently introduced in Campinas (Brazil) in 2013. In particular, by continuous adjustments of infrastructure and training of employees, the Italian plant observed a 40% decrease in accidents between 2010 and 2018 (see table 19).

KPIs[a]	2018	2017	2016
Frequency rate[b]			
- like-for-like perimeter	1.7	1.4	1.7
- 2018 new perimeter[a]	2.3		
Severity index[c]			
- like-for-like perimeter	0.04	0.02	0.03
- 2018 new perimeter[a]	0.10		
Number of accidents			
- like-for-like perimeter	79	66	80
- 2018 new perimeter[a]	119		
Number of first aid cases and close call accidents [d]			
- like-for-like perimeter	450	367	421
- 2018 new perimeter[a]	884		
Number of reports of unsafe situations and SMAT audits [e]			
- like-for-like perimeter	32,567	27,190	23,025
- 2018 new perimeter[a]	33,759		

Figure 19: accidents variation between 2016 and 2018 [83]

b) Frequency rate: number of events every 1,000,000 hours worked. This is the main indicator of accident trends because it takes account of the hours worked and not just the absolute number of accidents. It was calculated in accordance with the UNI 7249/2007 regulation, "Workplace accident statistics"
(c) Severity index: days of temporary inability to work due to injuries (calendar days from the first day of absence, excluding the day of the accident) per 1,000 hours worked. The indicator was calculated in accordance with the UNI 7249/2007 regulation, "Workplace accident statistics"
(d) First aid: an internal indicator that monitors events involving minor injuries that are generally handled by first aid operators. Close call accident: an internal indicator that monitors events which may potentially lead to an accident/first aid event that might have caused an injury which, by pure chance, did not materialize.

[82] Luxottica. (2020). LUXOTTICA, WELFARE E SOLIDARIETÀ AI TEMPI DI COVID-19. Retrieved from: https://www.luxottica.com/it/luxottica-welfare-solidarieta-tempi-covid-19

[83] Luxottica (2018). Luxottica 2018 non-financial statement

(e) SMAT Audit (Safety Management Audit Training) is an auditing activity carried out at different levels of the organization to verify a series of environmental, health and safety aspects (working environment, Personal Protecting Equipment - PPE, training, machines etc.)

From the table 19 above can be argued that in a like-for-like perimeter, even though the accident rate in the factories remained unchanged between 2016 and 2018 (look at the frequency rate that measures how many accidents every 1.000.000 hours worked), in Italy, where this rate has been monitored for longer, it was observed a 40% decrease between 2010 and 2018 in the accident level. In 2018 the new segment includes the Atlanta, Columbus and Dallas lens laboratories in the United States which started to be operative in 2017 adopting the same method of detecting accidents of Italy, China and Brazil. However, data do not include the Indian plant and the Brazilian logistics hub of Jundiai since they are dedicated only to their respective local markets, and the Japanese Fukui Megane plant acquired in 2018. Moreover, to increase employee's awareness on health and safety issues Safety Corners have been installed all over the world in the manufacturing plants. These tools are designated locations for posting information on health and safety matters and for reporting unsafe or risky situations for workers, and days dedicated to safety and prevention training (the "Safety days") were organized.
Therefore, it can be argued that the company, both single and merged with Essilor is continuing to support not only employees but also the communities in which it operates. Together with the promotion of the future recovery, all these measures are aimed to reduce and control absences and safeguard both employees' health and well-being and the company operations.

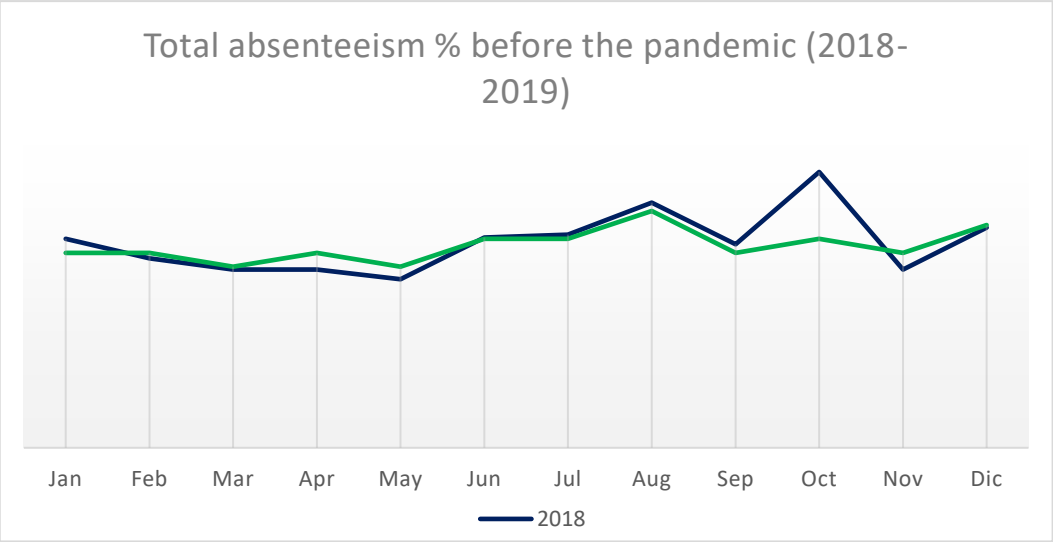
3.4. Absenteeism data before and after the Covid-19 Pandemic

3.4.1. Data analysis before the Pandemic

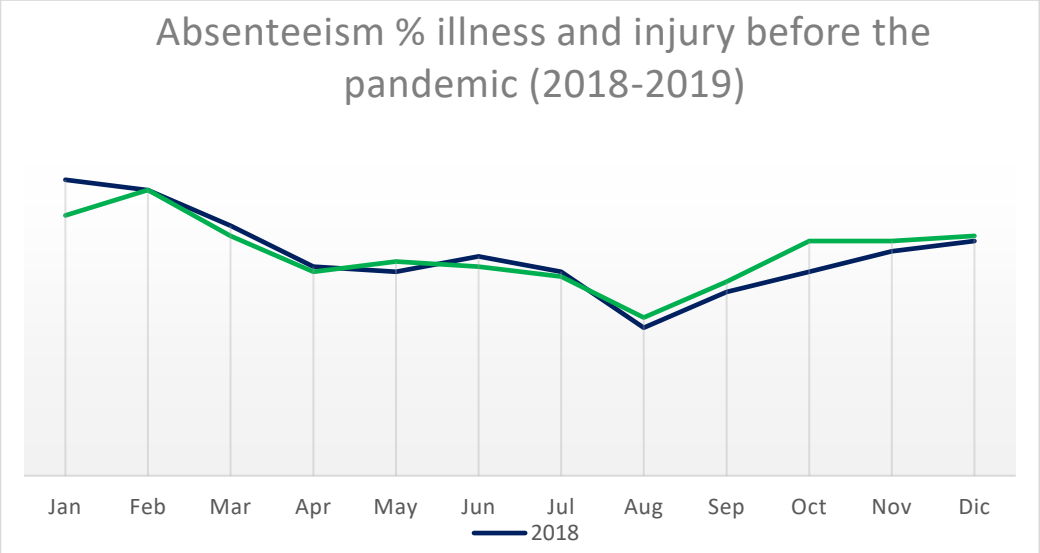
After all these sections describing how the company monitors and puts in place solutions in order to reduce the absenteeism rate, it can be argued that it is considered a significant issue for international firms nowadays. When absence goes above a certain threshold, indeed, it can be the sign of more important problems that the company may not be able to catch at a first glance. As it has

been deeply specified in Chapter 1, absenteeism can hide employees' stress, dissatisfaction, personal problems and low morale that the company needs to prevent.

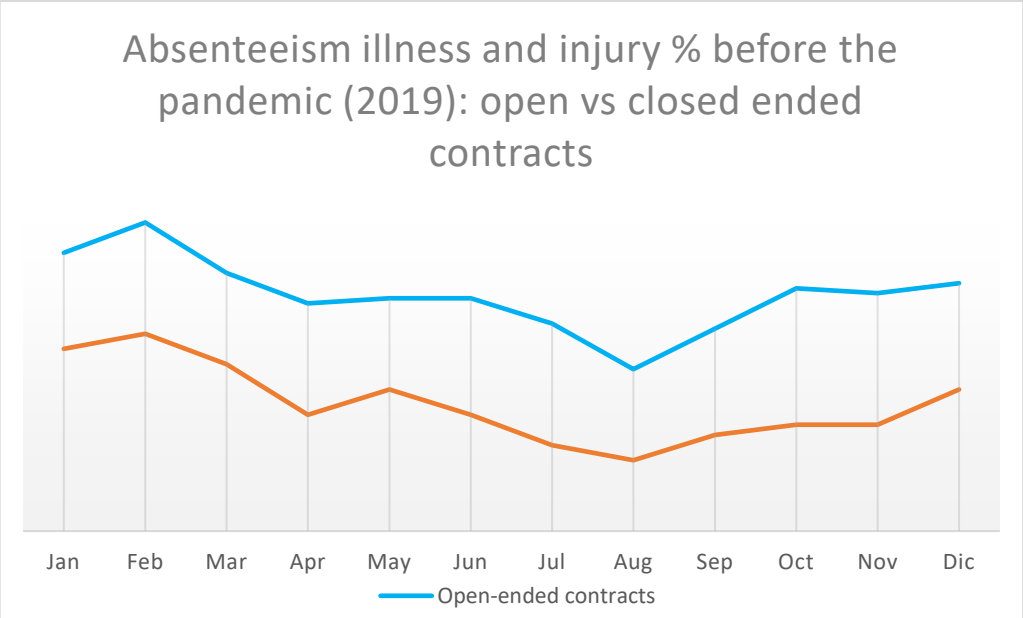
This paragraph has the objective of showing, through a comparison with the next one "Data analysis during the pandemic", how the Covid-19 pandemic period of year 2020-2021 has dramatically impacted the level of absenteeism, with the consequent outbreak of all the related problems.



Graph 17: Total absenteeism % trend before the Covid-19 pandemic – years 2018 and 2019



Graph 18: Illness and injury absenteeism % trend before the Covid-19 pandemic – years 2018 and 2019



Graph 19: Illness and injury absenteeism % trend before the Covid-19 pandemic – year 2019 – difference between closed-ended (working agency) contracts and open-ended contracts.

By looking at the graphs 17 above is possible to compare the level of absenteeism of year 2018 and 2019. In these 2 years before the pandemic the absence percentage is almost flat and linear in all year period. There are some small variations due to contingencies, though. For example, winter months usually have a higher level of illness compared to spring and summer (see graph 18). Summer months, on the other hand, usually present a higher level of total absenteeism because schools are closed and parent employees might ask for more leaves in order to take care of their children. In addition, summer period is usually characterized by a higher level of holidays, which are another reason for the increasing total absenteeism. Graph 19, instead, shows how the level of absence change between people with close-ended and open-ended contracts. For example, people working for agencies, which have a closed-ended and more rigid contract, are less keen to ask for leaves. On the other hand, the company's employees with open- ended contracts have a more secure position that might guarantee them the freedom to ask for more time off when needed.

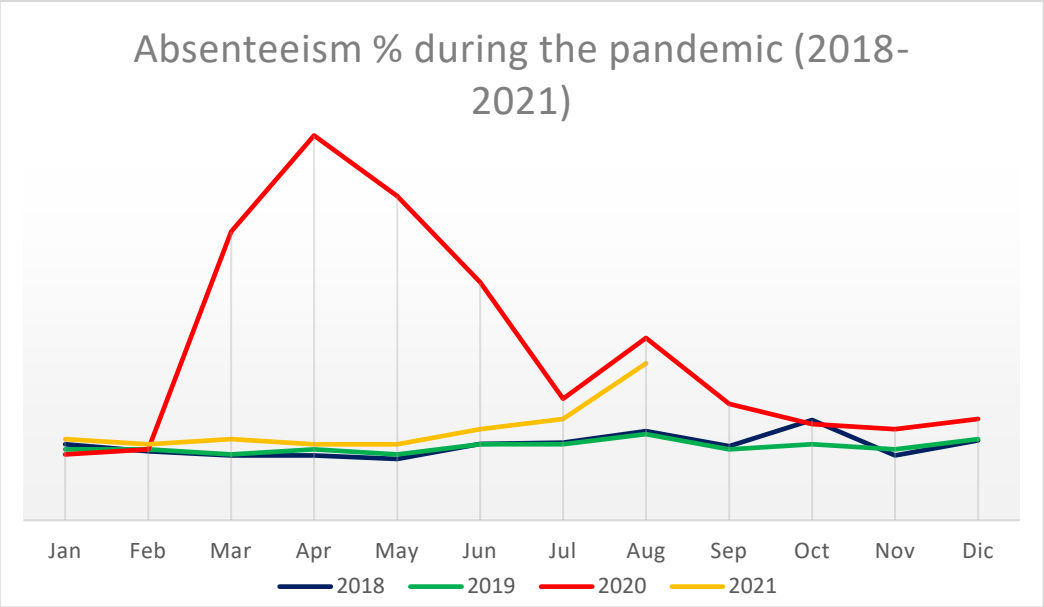
Therefore, by looking at the graphs above is it clear that the absence trend follows a regular path in years before the pandemic. The green and blue lines,

indeed, are almost overlapped both for total absenteeism and for injury and illness.

3.4.2. Data analysis during the Pandemic

The willingness to write an entire chapter on the Covid-19 period and its relationship with absenteeism starts from the fact that the pandemic has changed completely the way firms operate and also, specifically about Luxottica, the way the company sees the problem of absence. The pandemic has increased dramatically the level of illness and temporary layoffs among the working population. As the matter of facts, Luxottica, as all the other companies, started to reduce the amount of people working in presence within the company in favour of the use of more flexible time schedules and smart-working, an instrument that was hardly ever used before and started to be adopted in response to the pandemic.

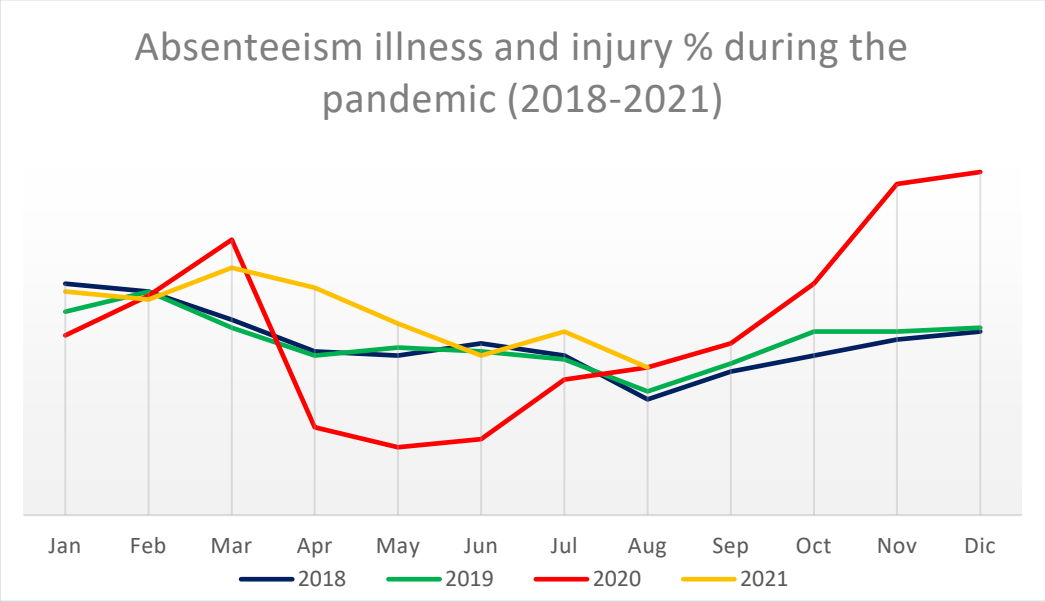
If in the previous showed graphs, the lines corresponding to year 2018 and 2019 were almost overlapped, by looking at the following ones (graph 20 and 21) it appears that the clear absence path characterizing the period before the pandemic is not longer present. By looking at graph 20, indeed, year 2020 represents a totally abnormal period: the peak that is observed from February to July is due to the introduction of the redundancy fund, while the one from July to September is due to the common effects of the summer period, after that the level of total absenteeism remains almost constant, but at a higher level compared to the previous years. In the months during which redundancy was in place, as a mean to protect people from going to work and possibly contracting the virus, most of the employees were at home, making the absence rate rises exponentially. Only a few were working in smart-working or in sight. Then, in the following year (2021), the absence rate of the first months seems to return to the pre-pandemic level. However, nonetheless vaccinations have been introduced, from June on the rate increases again due to a progressive new rise in contagions.



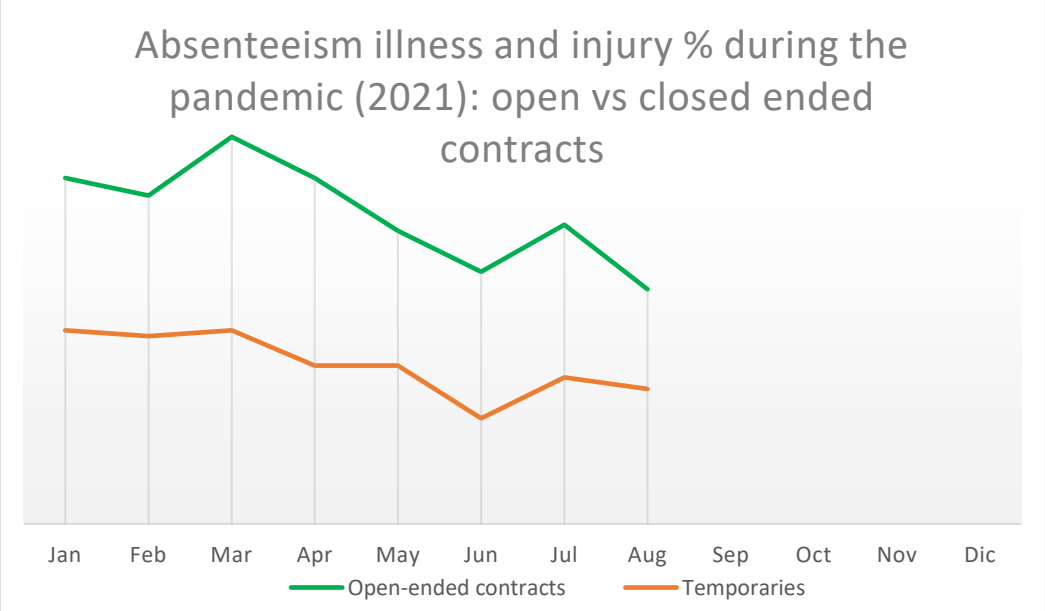
Graph 20: Total absenteeism % trend during the Covid-19 pandemic – years 2018-19 vs 2020-21

Being clear that the total absence trend is not similar anymore year by year, neither is the one related to illness and injury. By looking at the following graph (graph 21), indeed, the yellow and red lines related to year 2021 and 2020 are completely disconnected from the blu and green ones linked to the pre-pandemic period. Even though the illness percentage is normally used by the firm to calculate several KPIs and as a target for the annual company award, the line of 2020 is completely not reliable. From April to July, indeed, illness seems lower than before the pandemic only because of the effects of temporary layoffs. As the matter of fact, illness could not be recorded since people were at home for that reason. Then, after the temporary layoff period (from August on), illness grew dramatically again due to the new increase in Covid-19 infections which lasted until March 2021 (see the yellow line). This bias is the reason why illness connected to Covid virus infection has not been taken into account for the calculation of the annual Luxottica's Award of year 2020: on one hand, in periods when temporary layoffs were in place the level of illness is too low; on the other hand, in periods impacted by covid-19 illness is too high.

In addition, even though the level of illness and injury absenteeism recorded during the pandemic are anomalous, the relation between people with open-ended and closed-ended contracts is similar. Temporary staff workers always register a lower level of absenteeism for the reasons previously analysed (see graph 22 below).



Graph 21: Illness and injury absenteeism % trend during the Covid-19 pandemic – years 2018-19 vs 2020-21



Graph 22: Illness and injury absenteeism % trend before the Covid-19 pandemic – year 2021 – difference between closed-ended (working agency) contracts and open-ended contracts (firm contracts)

Conclusion

The main objective of this thesis is bringing to light an issue that is not much debated in literature but that is crucial for managing organizations nowadays: absenteeism. As this paper pointed out, even though there are several causes of absence, firms need to start to develop innovative systems to track and control this problem and set the right combination of incentives in order to motivate people to follow the company's direction and objectives. In fact, just a small increase in absenteeism, especially in these years dominated by the effects of Covid-19, can lower dramatically company's productivity and increase costs, having then negative impacts in the performance of the company.

In general, the main concept that can be summed up from this thesis is that absenteeism is important to be monitored particularly in firms belonging to the manufacturing sectors. The case study presented, indeed, described how Luxottica, leader firm in the eye-wear, monitors and struggles every day to find solutions to reduce mainly blue-collar workers absenteeism. In particular, the main focus of the company is on injury and illness, which is the cause of absence that can be more easily controlled and reduced. Trying to reduce leaves like maternity, holidays and trade union permits is more difficult than acting on illness and the problems behind it. Therefore, starting from the title of this paper "Monitoring, controlling and reducing absenteeism", Luxottica monitors everyday this issue thanks to a daily set of reports going to all the functions of the business; moreover, the company controls and reduces the problem by acting on the anomalous cases of absence and setting incentives. For example, if an HRBP (Human Resource Business Partner) finds out of a person being absent more than what has been forecasted, he goes directly in that specific business unit and talks to the person to understand which is the issue. In addition, the company itself tries to limit and reduce the problem by

setting incentives for decreasing the level of absence in the Annual Company's Award. Moreover, especially in this recent pandemic period, the firm worked a lot in order to create a safe working environment for employees. A place of work where they could feel safe despite the external contingencies brought by the Covid-19. For example, the company integrated its own swab test laboratory with a collaboration with the University of Padua, helped the whole community by working together with the ULSS of the municipality of Belluno to provide for all workers and citizens a vaccination slot, and it created a new temporary plant specialized in face masks production to take care of its worker health and safety. These are only some of the initiatives undertaken by the company in order to reduce absence and face the pandemic.

Concerning this topic there is still much to be discovered. This paper is just a starting point for the analysis of absenteeism. The company where I have been working for the past year considers it a real issue affecting business results, but it would be interesting to apply this analysis to a larger set of firms of different sectors. Looking at the specific Luxottica scenario the research argues that absenteeism control is more an issue for firms in the manufacturing sector, where blue-collars engagement is crucial in order to maintain a high level of productivity which is necessary to meet the industrial plan and the market demand. Probably in a sector where manufacturing production is more limited and firms are composed mostly by white-collars absenteeism would be less impacting. When more white-collars are present within the organization, indeed, more flexible instruments can be applied to cope with absenteeism, like smart-working. For example, if a blue-collar needs to take care of his family, his working activity and tasks have necessarily to be done by other co-workers, creating production slowdowns. On the other hand, a white-collar thanks to the introduction of flexible working schedules and smart-working can better balance his personal and working life without the necessity of being substituted. This is the reason why Luxottica has always monitored mainly absenteeism for the direct workers population, meaning for those people directly working for producing pieces.

Concluding, this research is one first attempt to bring more insights about this issue and warn that in organizations this kind of problems that seems more "invisible", summed up with all the other inefficiencies that may arise, are the ones that result in higher costs.

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