

## The ripple effect



**The hidden cost of lost productivity  
due to poor employee wellbeing**

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# Introduction

Healthy employees are the lifeblood of successful organisations. Other factors contribute, such as a workplace culture that is physically and psychologically safe, employment policies that are positive and progressive, jobs that are designed to match employee skills and needs, and processes that are clearly defined and empowering. But ultimately, an organisation cannot thrive in the long term if its people are not healthy and well.

Sadly, many employees in Australia are not well. This is costing organisations billions of dollars in combined absenteeism, presenteeism, workers' compensation, and employee turnover - and threatening their long-term resilience.



**Absenteeism is estimated to cost the Australian economy over \$35 billion in wages and lost productivity.<sup>1</sup>**



**Presenteeism costs economy \$34 billion a year through lost productivity, report shows.<sup>2</sup>**



**safe work australia**

**\$904.9 million**  
the total amount of workers' compensation paid for serious claims in 2019-20 for work related mental health conditions.<sup>3</sup>

**86%**

of employees felt burnt out in the previous 12 months.<sup>4</sup>

**30%**

of employees took time off work in the last 12 months due to concerns about their mental wellbeing.<sup>5</sup>

<sup>1</sup> Direct Health Solutions <sup>2</sup> Australian Broadcasting Commission, The Centre for International Economics, Medibank

<sup>3</sup> Safe Work Australia, 2022, National Dataset for Compensation-Based Statistics (custom data request)

<sup>4</sup> Sonder (October 2022 survey conducted by McGregor Tan) <sup>5</sup> Sonder (October 2022 survey conducted by McGregor Tan)

But, these figures only tell a fraction of the story.

**Poor wellbeing can affect not only an employee's workforce participation and productivity, but that of their colleagues, managers, family members, and close friends** – which represents a substantial hidden cost to organisations – on top of the direct costs of absenteeism, presenteeism, and workers' compensation for the impacted worker.

**This hidden cost is called the ripple effect** and it's the untold story of lost productivity that reveals the true workplace cost of poor employee wellbeing.



juggled extra work duties in the previous 12 months when a colleague was absent.<sup>6</sup>



took time off work in the previous 12 months due to concerns about the mental wellbeing of their friends or family.<sup>7</sup>



are estimated to be forgone each year in Australia by unpaid carers.<sup>8</sup>

### This paper aims to help leaders:

- Understand the ripple effect of poor employee wellbeing
- Calculate the hidden cost of lost productivity
- See the ripple effect in action
- Minimise the impact on their organisation

<sup>6</sup> Sonder (October 2022 survey conducted by McGregor Tan) | <sup>7</sup> Sonder (October 2022 survey conducted by McGregor Tan)

<sup>8</sup> Deloitte

# What is the ripple effect?

**The ripple effect is where one single action or event causes a spreading effect or series of consequences.<sup>9</sup>**

It is a common metaphor in social science literature “to describe how our actions (or non-actions) reverberate throughout the physical and social world”.<sup>10</sup> Its most common analogy is the dropping of a pebble into a pond, which triggers concentric ripples across the surface as it disturbs an increasingly larger portion of the ecosystem.

## COVID-19 pandemic: an example of the ripple effect

### Short-term ripple effects

- > 13.2 million vaccinations<sup>11</sup>
- > 668.9 million infections<sup>12</sup>
- > 6.7 million deaths<sup>13</sup>
- Exhausted healthcare workforce, who have been “feeling [overworked and] pressured not to take sick leave or mental health days”<sup>14</sup>
- Unprecedented economic and psychological stress, due to border lockdowns, mandatory isolations, worker shortages, business closures, plane groundings, stretched healthcare funding, and catastrophic supply chain shortages<sup>15</sup>

### Long-term ripple effects

- > 11 million girls may not go back to school after the COVID-19 crisis<sup>16</sup>
- Potential climate change ramifications as investment redirected to pandemic causes<sup>17</sup>
- Cancer referral delays have reversed up to 8 years of improvements in survival rates<sup>18</sup>
- New risks have been created from exacerbations to inequality, mental health issues, age discrimination, lack of societal cohesion, a widening of the wealth gap, and rapid rollouts of new technologies<sup>19</sup>

<sup>9</sup> Dictionary.com <sup>10</sup> Medium <sup>11/12/13</sup> John Hopkins University & Medicine <sup>14</sup> Australian Broadcasting Commission

<sup>15</sup> Australian Bureau of Statistics, World Health Organization, United Nations, BMJ Open, Frontiers in Psychology <sup>16</sup> UNESCO <sup>17</sup> World Economic Forum

<sup>18</sup> Institute for Public Policy Research <sup>19</sup> World Economic Forum, United Nations, Reinsurance Group of America, Cancer Research UK, The British Medical Journal

# How can poor wellbeing cause a ripple effect in the workplace?

**When an employee is healthy and happy, they are more likely to be motivated, collaborative, and productive at work.<sup>20</sup>**

Wellbeing “encompasses the health of the whole person – physical, mental, social and emotional” and “is most likely to flourish in a supportive and inclusive environment”.<sup>21</sup> It is unique to each individual and the factors that cause one person to feel (and/or be) well or unwell might not have the same impact on another person – or at least not at that same point in time.

**When an employee is not well, their poor wellbeing typically presents in the workplace as absenteeism, presenteeism, emotional contagion, and/or resignation.**

Poor wellbeing could be due to a medical, mental health, social, emotional, safety, financial, and/or other concern. It is often due to a complex set of multiple intertwined concerns<sup>22</sup> that can make a person feel down, sad, tired, ill, distracted, disconnected, unmotivated, negative, and unable to work to their full capacity – or worse, unable to work at all.

**Poor wellbeing can cause a ripple effect in the workplace because it can reduce not only the productivity of one employee but many employees.**

**Time per day spent listening (or helping with) the mental wellbeing concerns of colleagues:<sup>23</sup>**



## What is emotional contagion?

According to researchers at Yale University, emotional contagion is the phenomenon where one group member’s mood can ripple out to affect other group members’ emotions, group dynamics, and individual thinking, attitudes, and behaviours.<sup>24</sup>

20 Centers for Disease Control and Prevention, IPSOS, The Wall Street Journal, Society for Human Resource Management, Public Health Reports, University of Oxford  
21 Be You 22 Sonder 23 Sonder (2021 survey conducted by McGregor Tan) 24 Administrative Science Quarterly

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# What is the workplace impact?

## Primary workplace

**When an employee is absent, not working at full capacity, or bringing negative energy to work due to poor wellbeing, it can cause a ripple effect.**

Some examples of how a ripple effect can impact a workplace include:

### Direct colleagues

- May need to miss lunch or stay late to complete the extra workload
- May become irritable, resentful, and exhausted from the additional work
- May have projects that suffer delays and/or miss important deadlines
- May feel overwhelmed or helpless about how to help a colleague appropriately

### Indirect colleagues

- May miss deadlines if their deliverables are dependent on colleagues
- May feel unhappy about disharmony between their colleagues
- May get distracted and begin to lose focus at work
- May start to feel annoyed, irritable, and unsatisfied with achievements

### Managers

- May need to ask others to increase their work output, or shoulder it themselves
- May spend additional time on performance management, employee counselling, or searching for employee support resources
- May feel overwhelmed by the physical and psychological challenges of team members
- May become frustrated and anxious, lose their motivation to work, and feel helpless if they lack the knowledge to help

### Organisation

- May lose revenue from reduced output or business opportunities
- May incur additional costs from higher-paid substitute workers, increased workers' compensation premiums and/or higher outlays for employee support programs
- May face increased safety risks (both physical and psychological)
- May lose some of their positive team culture
- May experience increased employee attrition

## Secondary workplaces

**Poor employee wellbeing can affect more than one workplace – it can also have an amplification effect across the workplaces of family members and close friends.**

This is because:

- It's difficult for anyone to perform at their full potential when they are worried about, caring for, or taking on extra duties for someone else; and
- Our work lives and personal lives are inextricably linked, wrote Professor Rosabeth Moss Kanter from Harvard Business School, who detailed "the myth of separate worlds".<sup>25</sup>

Some examples of how a ripple effect can impact secondary workplaces include:

### Employee's family and close friends

- May be stressed and distracted at work because they are worried about their loved one's health and job security
- May be tired or irritated at work (or need to skip work) because they are juggling extra physical, emotional, and financial responsibilities at home
- Their organisations may incur additional costs, safety risks, customer complaints, attrition, lost revenue from reduced output or missed business opportunities, and more

### Colleagues'/manager's family and close friends

- May arrive late at their workplaces if they could not leave home before their loved ones returned from their extra work duties
- May then arrive at work stressed and angry, which could affect both productivity and team harmony
- Their organisations may incur additional costs, safety risks, customer complaints, attrition, lost revenue from reduced output or missed business opportunities, and more

<sup>25</sup> Work and Family in the United States





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# What is the ripple effect costing organisations?

## Direct costs

Most organisations track and quantify the direct costs of poor employee wellbeing in their workplace. These direct costs are generally calculated by taking the amount of time lost (in hours) and multiplying it by the hourly wage of the worker (although this approach fails to take into account the marginal value of the worker against their role – meaning, a worker holds more value to the company than only salary input).

Direct costs are typically calculated via lagging indicators such as:

- 1 Absenteeism
- 2 Workers' compensation
- 3 Lost time injury frequency rates (LTIFR)
- 4 Return to work rates
- 5 Attrition

### Presenteeism

Most organisations do not track and quantify presenteeism (i.e. being at work despite being unwell). Yet, it can cause “reduced work performance” and “contribute substantially to productivity costs for employers”, concluded researchers Strömberg, Aboagye, Hagberg, Bergstrom, and Lohela-Karlsson, from the Karolinska Institute in Sweden.<sup>26</sup>

<sup>26</sup> ScienceDirect, Journal of Organizational Behavior

## Indirect costs

**Few organisations acknowledge, track, and quantify the indirect costs of poor employee wellbeing – despite the reality that these usually outweigh the direct costs.**

Indirect costs are particularly important where a reduction in worker performance affects the productivity output not only of the worker but also of coworkers and team leaders. Job-specific factors related to an impacted worker, and their coworkers, can make the productivity costs to employers significantly higher than direct wages.

### Indirect costs typically include<sup>27</sup>:

- 1 Time taken by colleagues and managers to help an employee with poor wellbeing
- 2 Reduced morale and productivity from colleagues who regularly take on extra duties
- 3 Time taken to find substitute workers
- 4 Payments to substitute workers
- 5 Reduced quality of individual and/or team output
- 6 Risk of burnout and attrition for colleagues taking on extra duties; and
- 7 Lost revenue opportunities where time-sensitive deadlines are missed

<sup>27</sup> ScienceDirect, Journal of Organizational Behavior



## Wage multipliers

One way of calculating the ripple effect across a team or organisation is via wage multipliers, where the total productivity losses are calculated as a factor of the impacted employee's wage.

**Total productivity losses from absenteeism can range between 1.4 to 2.8 times the value of an impacted worker's wage.**

The variation depends on the employee's role and industry, the ease of finding a substitute, the time-sensitivity of output, and the degree to which output is based on teamwork.

**Multiple studies such as Strömberg et. al.<sup>28</sup> have identified an average wage multiplier for absenteeism of 1.97 (and 1.70 for presenteeism).** Some occupations have higher wage multipliers (e.g. transport workers, couriers, engineers, and information technology workers). Others have lower wage multipliers (e.g. chefs, waiters, and workers in heavy industry and manufacturing).

Occupation	Average wage multiplier		
	Absenteeism	Acute presenteeism	Chronic presenteeism
Transport workers, couriers	2.81	2.06	1.60
Engineers	2.44	2.13	1.58
Information technology workers	2.17	1.87	1.68
Workers in mass media, communications, PR	2.13	1.83	1.73
Business administrators (private)	2.07	1.67	1.47
Analysts and investigators	1.98	1.77	1.52
Doctors, nurses, pharmacists, dentists	1.98	1.66	1.70
Insurance brokers, salespeople	1.90	1.65	1.34
Shop assistants and cashiers	1.89	1.58	1.33
Teachers (primary and secondary level)	1.87	1.64	1.61
Construction workers, carpenters	1.79	1.50	1.35
Professors and researchers (tertiary level)	1.67	1.47	1.72
Administrators (public)	1.66	1.52	1.51
Workers in heavy industry and manufacturing	1.54	1.55	1.57
Chefs, maître d'hôtel, waiters	1.40	1.43	1.66

28 ScienceDirect 29 ScienceDirect

This table is a partial extract from Table 6 of Strömberg et. al.<sup>29</sup> and is for illustrative purposes only.



Case study

Nadira

Nadira was a dedicated frontline worker at Superb Stores. She had been part of the team for 20 years, was loved by customers, and often won the company's 'employee of the month' award. Unfortunately, on one of Nadira's night shifts, her wrist was broken during a physical attack by an intoxicated customer. As a result of the assault, she also developed serious mental health concerns.

Scenario

- 1 Nadira took three days of sick leave to recover, and to visit the hospital for treatment. Her colleagues picked up extra work duties to cover her absences.
- 2 After a while, the goodwill of her frontline colleagues wore off as they began to feel burnt out. Nadira's manager spent three hours discussing her case with the HR manager.
- 3 When Nadira returned to work, she complained about wrist pain (but kept her post-incident psychological struggles to herself). Her manager moved her to light duties in the back office. Soon after, her upbeat demeanour changed. Not understanding what she was experiencing, she spent five work hours researching her symptoms.
- 4 Nadira's new manager noticed she was frequently distracted at work, and she was fielding complaints from colleagues. She spent four hours counselling her that month.
- 5 Within months, Nadira regressed into a depressed state. She was frequently absent from work on sick leave. Her colleagues were given extra duties to cover for her.
- 6 Team tension grew, and Nadira's manager gave her a formal warning, put her on a performance plan, and filed a report with senior management.
- 7 One week later, Nadira resigned.

Lost productivity calculation

<b>1. Absenteeism</b>	<b>\$1,225</b>
<hr style="border-top: 1px dotted #000;"/>	
<small>\$30/hour x 7.2 hours x 3 days x 1.89*</small>	
<b>2. Management time</b>	<b>\$219</b>
<hr style="border-top: 1px dotted #000;"/>	
<small>\$35/hour x 3 hours for Nadira's manager + \$38/hour x 3 hours for their HR manager</small>	
<b>3. Presenteeism</b>	<b>\$237</b>
<hr style="border-top: 1px dotted #000;"/>	
<small>\$30/hour x 5 hours x 1.58^</small>	
<b>4. Management time</b>	<b>\$260</b>
<hr style="border-top: 1px dotted #000;"/>	
<small>\$35/hour x 4 hours for Nadira's manager + \$30/hour x 4 hours for Nadira</small>	
<b>5. Absenteeism</b>	<b>\$3,674</b>
<hr style="border-top: 1px dotted #000;"/>	
<small>\$30/hour x 7.2 hours x 9 days x 1.89*</small>	
<b>6. Management time</b>	<b>\$200</b>
<hr style="border-top: 1px dotted #000;"/>	
<small>\$35/hour x 4 hours for Nadira's manager + \$30/hour x 2 hours for Nadira</small>	
<b>7. Recruitment, training, and management time</b>	<b>\$19,562</b>
<hr style="border-top: 1px dotted #000;"/>	
<small>\$65,208 annual salary package (excluding payroll tax and other considerations) x 30% replacement cost*</small>	
<hr style="border-top: 1px dotted #000;"/>	
<b>Total lost productivity cost =</b>	<b>\$25,377</b>

30 ScienceDirect 31 ScienceDirect 32 Harrisons, The Australian Financial Review, Workable

# Average wage multiplier for absenteeism for her role/industry<sup>30</sup>  
 ^ Average wage multiplier for acute presenteeism for her role/industry<sup>31</sup>  
 \* Average replacement cost ranges from 30-50% of an employee's salary<sup>32</sup>

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# How can organisations minimise the ripple effect?

Organisations can minimise the ripple effect of poor employee wellbeing by:

- 1 Acknowledging, tracking, and better quantifying the hidden cost of lost productivity
- 2 Helping to improve the wellbeing of their employees
- 3 Helping to improve the wellbeing of an employee's family members (and close friends)

## Not your responsibility?

Old-style leaders argue it is not their responsibility to improve the wellbeing of family members (and friends).

New-style, health-savvy leaders recognise that an employee's family (and friends) form an essential first line of support that can reduce the cost and impact of the ripple effect.



## Improving the wellbeing of employees

### Cultivate a culture of wellbeing

- Encourage leaders to advocate for wellbeing, challenge wellbeing myths, approve funding, and personally participate in wellbeing initiatives
- Help managers promote positive wellbeing, understand the impact of poor wellbeing, and recognise early warning signs
- Teach managers how to best support their teams
- Build a culture that understands health complexity, as wellbeing is very personal and health conditions affect people differently

### Create a safe and healthy workplace

- Minimise physical and psychological health and safety risks (see ISO 45001 and ISO 45003)
- Design jobs appropriately, with consideration for personal control, autonomy, decision-making, and change management
- Implement formal policies and user-friendly processes that provide safe and healthy workplaces

### Implement meaningful support systems

- Redesign workplace wellbeing programs to ensure employees have 24/7 access to safety, medical, and mental health care
- Offer psychological first aid (PFA) after critical events, rather than psychological debriefing
- Prioritise prevention and early intervention via proactive notifications and early-warning data
- Improve contingency planning to reduce the burden when covering for colleagues
- Offer personalised and comprehensive support for employees returning to work after absences

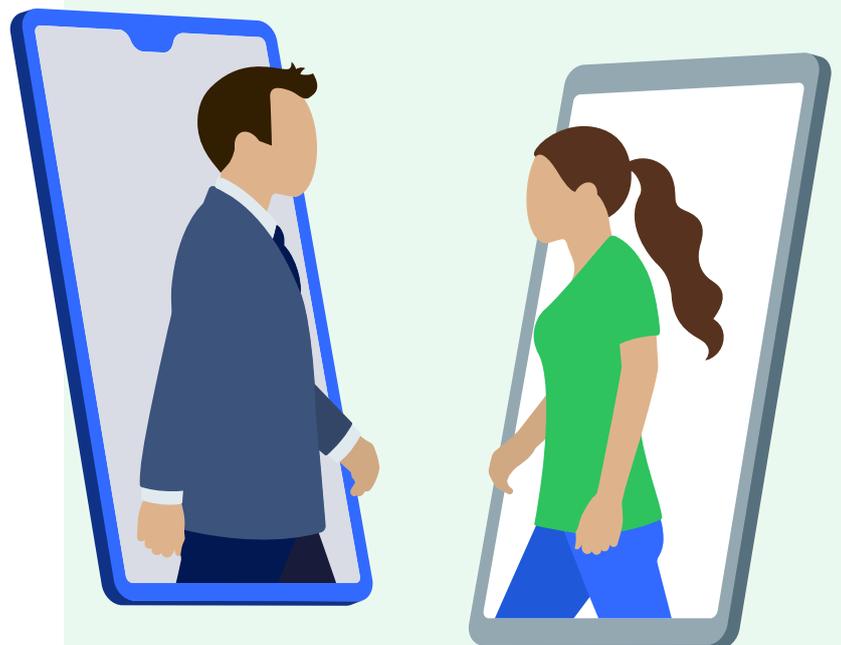
## Improving the wellbeing of family and friends

### Broaden social invitations

- Invite family members and close friends to work tours and social activities, to help build empathy, social connection, and stronger relationships with colleagues

### Extend meaningful support

- Provide 24/7 access to medical, mental health, and safety support to family members so they can access care when they need it
- Consider enhancing employee leave policies (e.g. time in lieu, parental leave, carer's leave, childcare assistance, financial assistance, transport assistance, and domestic and family violence leave)



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# Summary

“Workers’ wellbeing is a key factor in determining an organisation's long-term effectiveness. Many studies show a direct link between productivity levels and the general health and wellbeing of the workforce”, says the International Labour Organization (ILO).

Yet, many employees are not well, which is causing a ripple effect across workplaces and costing billions of dollars each year in lost workforce participation and productivity.

## Poor employee wellbeing can cause organisations to:

### Incur additional costs

- Payments (often higher) to substitute workers
- Increased workers’ compensation premiums
- Higher outlays for employee support programs
- Replacement of employees

### Lose revenue

- Reduced output
- Missed deadlines
- Lost business opportunities

### Increase risk exposure

- Team morale
- Company goodwill
- Physical and psychological safety

## To minimise the impact of the ripple effect, organisations can:

### Help improve the wellbeing of their employees

- Provide leadership support
- Create safe and healthy workplaces
- Offer comprehensive and proactive support

### Help improve the wellbeing of family members and close friends

- Broaden social invitations
- Extend meaningful support

**The more that organisations can recognise, track, quantify, and minimise the ripple effect of poor employee wellbeing, the more they can keep their people safe, well, engaged, and productive – so they can enjoy their work and perform at their best.**

33 [International Labour Organization](#)

# About us

Sonder is an active care technology company that helps organisations improve the wellbeing of their people so they perform at their best.

Our mobile app provides immediate, 24/7 support from a team of safety, medical, and mental health professionals - plus onsite help for time-sensitive scenarios.

Accredited by the Australian Council on Healthcare Standards (ACHS), our platform gives leaders the insights they need to act on tomorrow's wellbeing challenges today.



### Immediate assessment

Chat with a Sonder care specialist in 15 seconds or less - day or night



### In-person response

Get on-the-ground assistance so you're not alone in difficult times



### Sonder specialists

Access our clinical team of registered nurses, doctors, psychologists, and more



### Wellbeing resources

Build a happier, healthier you - in just a few minutes a day



### Safety scanning

Avoid unsafe situations and outcomes before they arise

# Organisational wellbeing & safety. Reimagined.

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