



Annual survey report 2005

ABSENCE MANAGEMENT

A SURVEY OF POLICY AND PRACTICE

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Foreword

The issue of employee absence has generated numerous media headlines in the last 12 months. Government moves to reduce high levels of public sector absence and the debate over how to help a greater proportion of people claiming incapacity benefit into work have occupied many column inches. In the private sector Tesco's decision not to provide occupational sick pay for the first three days of absence and the Royal Mail's attendance incentive scheme also attracted the media spotlight.

The fascination with employee absence isn't surprising given the impact it has on employers. Nine in ten organisations report that absence is a 'significant' or 'very significant' cost to the business.

The CIPD absence management 2005 survey report explores the issues behind the headlines and identifies the real costs and causes of absence. It also reveals the management interventions that are being used to tackle the problem and their relative effectiveness.

The report provides detailed absence rates across the UK's main sectors and regions, allowing organisations to benchmark themselves, as well as identify emerging trends.

This year's survey report includes in-depth information on how organisations use occupational health services, occupational sick pay and attendance incentives.

It also covers in greater detail than past surveys issues around pre-employment screening and the extent to which organisations make managers accountable for their absence management performance.

The report underlines the importance of the partnership between HR practitioners and line managers in effective absence management; HR to provide the information and support and the line to

take primary responsibility for managing the process and developing the employment relationship.

However, efforts to reduce absence levels are likely to fail unless people are managed properly and treated fairly at work.

The CIPD 2004 research report *Employee Well Being and the Psychological Contract* revealed that the presence of HR practices associated by employees with high-quality workplaces is the most significant factor associated with lower levels of stress.

These practices include family-friendly policies, effective line management and the delivery of employment policies (leading to perceptions of fairness and trust).

A range of other progressive HR policies were also identified as helping to create high-quality workplaces, including training and development opportunities, employee voice, internal career progression, fair pay, and opportunities for varied work.

The research found that high-quality workplaces are strongly associated with a range of positive outcomes such as higher employee commitment, motivation, work satisfaction and satisfaction with work-life balance.

Our current survey shows that employers are making progress in measuring absence and taking specific initiatives to address the most obvious causes. But these need to be integrated into a broader approach to create these healthy, high-quality workplaces in which the link between employer performance and employee satisfaction is recognised.

Ben Willmott

Employee Relations Adviser, CIPD

Executive summary

This report sets out the findings of the sixth national survey of sickness absence policy and practice by the CIPD. The analysis is based on replies from 1,038 HR practitioners in organisations employing a total of more than 2 million people.

Absence levels

The average level of sickness absence among respondents' organisations is 3.7% or 8.4 days per employee per year (based on an annual working year of 228 days).

This represents a 0.3% reduction on the previous year's figure of 4% (9.1 days per employee per year).

Absence levels have fallen across all sectors compared to the previous year, but remain highest in the public sector, at 10.3 days per employee, and lowest among private services sector organisations, at 6.8 days per employee.

Costs

In all, the cost of absence has increased to £601 per employee per year from £588 for the previous 12 months. The increase of 2.2% is less than for the previous year when absence costs increased by 3.7% year on year.

The cost of absence is highest in the public sector, at £645 per employee, but this is down from £706 since the previous year, the second largest fall of the four main sectors. Non-profit organisations reported the biggest year-on-year reduction in the cost of absence to £607 from £686 for the previous 12 months.

But employers in the private services sector revealed increases in the cost of employee absence to £568 from £535 for the year before. Absence costs among manufacturing and production employers also increased year on year to £624 from £575.

Causes

Minor illness is the most significant cause of short-term absence among both manual and non-manual employees and across all four main sectors.

Among manual workers, the next biggest causes of short-term absence in rank order are: back pain; musculo-skeletal injuries; stress; and recurring medical conditions.

For non-manual employees, stress, recurring medical conditions and back pain are the top reasons for short-term absence after minor illness.

Musculo-skeletal injuries have overtaken back pain as the number one cause of long-term absence among manual workers since last year's survey. Stress has also jumped up one place and is now the third-ranked cause of long-term absence for manual employees.

Stress and mental ill health are the top two causes of long-term absence among non-manual employees.

Stress

In all, 39% of employers reported an increase in stress-related absence compared to the previous year, with just 10% reporting a decrease. However, the net number of employers reporting an increase of 29% has decreased in comparison with last year's survey report when the net increase was 44%.

Nearly 60% of employers are using or are planning to use the Health and Safety Executive's management standards for stress.

Managing absence

Return-to-work interviews are rated as the most effective approach to managing short-term absence across all sectors. The use of trigger mechanisms, disciplinary procedures and line management involvement are also rated as being highly effective.

The involvement of occupational health professionals is seen as the most effective method of managing long-term absence, but only 62% of organisations use them for this purpose.

The use of rehabilitation programmes to manage long-term absence is regarded as the second most effective response to long-term absence, yet only 30% of employers make use of co-ordinated rehabilitation initiatives.

In all, 18% of organisations use some form of attendance incentive, with manufacturing and production employers most likely, and those in the public sector least likely to do this.

Just over a quarter of organisations include absence management performance as an element of senior managers' and line managers' appraisals/performance targets.

Occupational sick pay

A total of 94% of employers provide occupational sick pay, with little difference across sectors.

Our survey shows that while 83% of organisations' sick pay schemes cover the first three days of absence, a significant minority (15%) of organisations do not.

A third of employers have withheld sick pay in the previous 12 months because of a belief that an employee was not genuinely ill.

Public sector organisations continue paying occupational sick pay for longest among the main sectors, averaging five months and 18 days before sick pay is stopped.

Non-genuine absence

Respondents believe that, on average, 14% of absence is not genuine.

Opinions are split on whether absence levels increase just before and after the weekend, with 36% of respondents identifying a rise in absence on Mondays and Fridays and 34% disagreeing.

Rates of sickness absence

The average rate of sickness absence has fallen by 0.3% over the last 12 months to 3.7% of total working hours, or 8.4 days per employee per year, according to our 2005 survey.

Table 1: Average level of sickness absence, by sector

	Number of responses	Average working time lost per year (%)	Average days lost per employee per year
Manufacturing and production	334	3.7	8.4
Agriculture and forestry	4	4.0	9.1
Electricity, gas and water	5	3.0	6.8
Construction	18	2.9	6.6
Engineering and metals	82	3.5	8.0
Food, drink and tobacco	49	4.9	11.2
General manufacturing	32	3.9	8.9
Paper and printing	13	3.6	8.2
Textiles	13	3.3	7.5
Chemicals	23	3.2	7.3
Other manufacturing	64	3.6	8.2
Private services	325	3.0	6.8
Professional services	35	2.4	5.5
Financial services	49	2.5	5.7
Hotels, restaurants and leisure	23	3.2	7.3
IT services	32	2.2	5.0
Legal and property services	20	2.3	5.2
Media and publishing	13	2.7	6.2
Retail and wholesale	46	3.8	8.7
Transport and storage	31	4.1	9.3
Telecommunications	9	2.4	5.5
Other private services	65	3.0	6.8
Call centres	6	3.5	8.0

continued overleaf

Table 1: Average level of sickness absence, by sector (continued)

	Number of responses	Average working time lost per year (%)	Average days lost per employee per year
Public services	187	4.5	10.3
Education	48	4.3	9.8
Central government (including defence)	22	4.1	9.3
Local government (including police and fire)	53	4.8	10.9
Health	47	5.1	11.6
Other public services	18	3.3	7.5
Non-profit organisations	64	4.2	9.6
Housing associations	29	4.7	10.7
Charity services	19	3.2	7.3
Care services	11	4.9	11.2
Other voluntary services	7	4.3	9.8
Survey average	874	3.7	8.4

Care should be taken regarding figures that are based on some of the smaller response rates.

Survey average

The average level of sickness absence is 3.7% of total working hours, or 8.4 days per employee per year. Respondents were able to provide either the percentage of working time lost or the number of working days lost per employee, based on a 228-day working year.

Sectoral variations

There has been drop in absence levels across the four main sectors. Absence levels in the public sector remain the highest but have fallen by 0.2% to 4.5% of working time lost, or 10.3 days per employee per year.

The reduction in absence levels in the private services sector is even more significant, falling by 0.4% to 3% of working time lost (6.8 days per employee). The manufacturing sector also recorded a drop in absence of 0.3% to 3.7% of working time (8.4 days per employee). In the non-profit sector, levels have fallen by 0.2% to 4.2% of working time (9.6 days per employee).

Table 1 shows a more detailed sectoral breakdown.

High absence levels in the public sector have attracted a great deal of attention in the past 12 months since they were highlighted by the Chancellor, Gordon Brown, in last summer's spending review. Our survey reveals that central government employers have reported average absence levels of 4.1% of working time (9.3 days per employee), a reduction of 0.7% compared to the previous 12 months.

Absence levels remained identical to the previous year across the health and local government sectors at 5.1% (11.6 days) and 4.8% (10.9 days) respectively. Only the education sector reported a slight rise in absence levels of 0.1% to 4.3% (9.8 days per employee).

Across the private services sector, employers in the transport and storage business recorded the highest level of absence at 4.1% (9.3 days per employee), as well as the biggest year-on-year fall of 1.1% of working time lost compared to the previous 12 months. At the other end of the spectrum, IT services reported the lowest levels of absence among private services sector employers, at 2.2% of working time (5 days per employee), a reduction of 0.3% from the previous year.

Among manufacturing employers, those in the food, drink and tobacco industry recorded the highest levels of absence of 4.9% of working time (11.2 days per employee), but this represents a reduction of 0.3% from the previous year.

Absence levels among workers in the construction industry are the lowest in the manufacturing and production sector, at 2.9% of working time (6.6 days per employee), a reduction of 0.3% compared to the last 12 months.

Case study

The introduction of a new attendance management procedure and an increased emphasis on the role of the line manager has helped reduce absence levels at West Yorkshire Probation Board by nearly a third in two years.

Ian Brandwood, the organisation's director of human resources, said the new approach was introduced in October 2003 in response to government absence targets of nine days per employee per year.

'Our attendance rates were linked to financial reward. If we don't hit our targets then the organisation would suffer financially,' said Brandwood.

At the time, absence levels at West Yorkshire were running at just above 13 days per employee per year, partly due to a tolerant management culture and a lack of consistency over how the issue was dealt with.

The change in approach, which has helped reduce employee absence levels to nine days per employee, was underpinned by a new trigger system to identify unacceptable absence levels.

Under this system, employees risked receiving a caution if they had taken nine days off sick and/or had three occasions of absence in a 12-month period, unless the absence was due to certain exceptions such as disability or maternity.

If they received two cautions, a meeting would be held where dismissal would be considered. This would be for 'some other substantial reason' rather than capability.

However, Brandwood stressed that a key part of the new approach, introduced following extensive union consultation, was ensuring that managers take more responsibility for managing attendance. This has been achieved by providing training in absence management for all line managers and by giving managers targets related to attendance to ensure that their team's absence level remains within the overall organisational target.

'I think it is easy in some organisations to lose focus on absence management. By linking attendance to line managers' objectives we ensure that it continues to be seen as a priority,' said Brandwood.

The training for managers isn't just about procedure, it also covers softer skills around communication and support.

continued overleaf

Case study (continued)

Managers must take the initial telephone call from the employee, ensure medical certificates are provided as requested, and maintain regular contact with the employee. They must also take the appropriate action if trigger levels are reached and carry out return-to-work interviews.

The organisation, which employs 1,300 people, uses an external supplier to provide occupational health services to employees. Individuals are typically referred to occupational health after 20 days if a return to work is not immediately foreseeable. Other support for staff includes an employee assistance programme, specialist counselling for high-risk staff and stress management and awareness training.

The new approach was revised slightly in February of this year. Cautions are now known as 'improvement notices' because of the connotations of the word 'caution' within the criminal justice system. The trigger system has also been made slightly less prescriptive so that employees who have 12 or more days off work sick in a 12-month period are now subject to improvement notices.

The effect of workforce size

The survey reveals the importance of taking into account workforce size when considering levels of employee absence. Absence levels among smaller employers tend to be significantly lower than those of larger organisations.

Table 2 shows that absence levels among employers with under 100 employees average 2.4% of working time (5.5 days) and increase as organisations get larger, until absence levels for employers of between 750 and 999 staff average 4.6% of working time (10.5 days). This pattern is similar to last year's survey findings.

For organisations employing between 1,000 and 1,999 employees, absence levels drop back slightly to between

3.9% and 4% of working time before increasing to 4.4% for organisations with more than 2,000 employees.

Smaller employers are likely to find it easier to identify and tackle absence because managers have smaller teams and absences are more obvious and difficult to compensate for.

The size of organisation may partly explain why public sector absence levels tend to be higher than those in the other main sectors. The average public sector organisation surveyed employs 3,282 people, compared to 1,989 in the private services sector, 567 in the manufacturing and production sector and 495 in the non-profit sector.

Table 2: Average level of sickness absence, by workforce size

Workforce size	Number of responses	Average working time lost last year (%)	Average days lost per employee last year
1–99	134	2.4	5.5
100–249	206	3.2	7.3
250–499	170	3.7	8.4
500–749	85	4.4	10.0
750–999	53	4.6	10.5
1,000–1,499	50	3.9	8.9
1,500–1,999	23	4.0	9.1
2,000+	122	4.4	10.0

Regional differences

Employers in Wales recorded the most significant year-on-year reduction in absence levels of 0.9% to 3.8% of working time (8.7 days per employee). Organisations in London reported the lowest levels of absence, at 3% of working time lost (6.9 days per

employee), the same as last year. The highest levels of absence across the UK were recorded by employers in the north-west of England, at 4.4% of working time lost (ten days per employee), but this represent a 0.1% reduction on the previous 12 months.

Table 3: Average levels of sickness absence, by region

Region	Number of responses	Average working time lost last year (%)	Average days lost per employee last year
East Anglia	49	3.4	7.8
East Midlands	68	3.9	8.9
West Midlands	77	4.0	9.1
North-east of England	48	3.6	8.2
North-west of England	98	4.4	10.0
South-west of England	74	3.6	8.2
Yorkshire and Humberside	63	4.0	9.1
South-east of England (excluding London)	132	3.2	7.3
London	101	3.0	6.8
Scotland	61	4.0	9.1
Wales	40	3.8	8.7
Northern Ireland	1	2.0	4.6
Nationwide	144	3.2	7.3
Survey average	874	3.7	8.4

Length of absence

About 60% of absence is for periods of five days or less, just under a fifth is for between five days and four weeks, and a similar proportion is for four weeks or more (see Table 4).

Short-term absences of five days or less are most common among smaller employers (72.5% of all absence) and organisations within the private services sector (68.4%).

Long-term absences of four weeks or more are likely to be a greater challenge for larger employers. Nearly a quarter of all absence reported by organisations employing 2,000+ employees is long term. This might help to explain why public services employers report the highest levels of long-term absence of the four main sectors, with 21.7% of absence being for periods of four weeks or more. However, this is a significant fall compared to the previous 12 months when long-term absence accounted for 30% of absence among public sector employers.

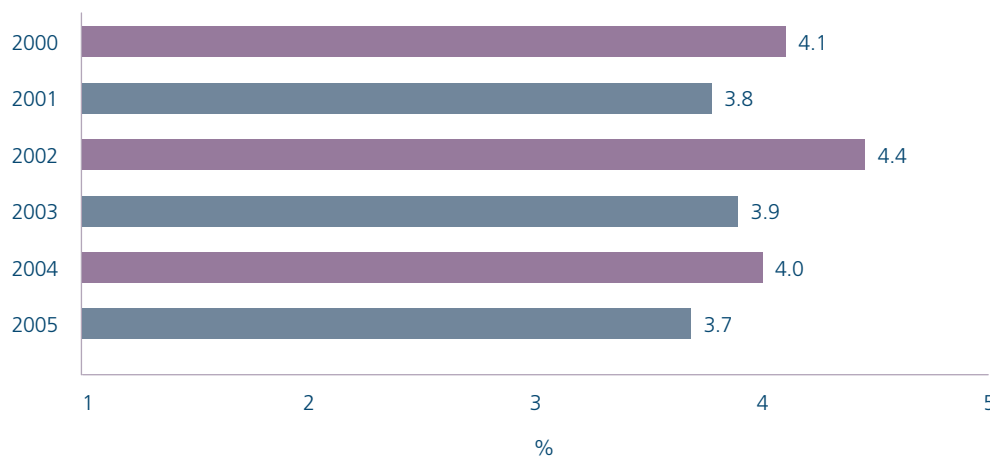
Table 4: Importance of short- and long-term absence, by workforce size and major sector

Workforce size	Total	Average absence (%) accounted for by absences of ...		
		Fewer than five days	Five days to four weeks	Four weeks or more
1–99	149	72.5	14.1	14.1
100–249	207	65.8	16.3	14.1
250–499	171	55	19.9	18.7
500–749	72	49.7	21.5	22.4
750–999	52	48.4	21.1	18.5
1,000–1,499	45	51.2	18.8	18.9
1,500–1,999	19	60.2	20.6	19.2
2,000+	78	51.2	21.3	23.2
Industry sector				
Manufacturing and production	287	54.2	19.7	18.7
Private services	369	68.4	15.8	13.6
Non-profit organisations	115	50.5	20.5	20.6
Public services	244	54.4	20.1	21.7
Survey average	842	59.3	18.4	17.9

Changes in absence rates

This year's survey shows a 0.3% decrease compared to the 2004 absence rate and is the lowest recorded by the CIPD since it began surveying absence levels in 2000 (see Figure 1).

Figure 1: Average working time lost 2000–2005



Changes in level

In all, a net 14% of employers reported a decrease in absence levels, compared to the previous 12 months when a net 8% of employers reported a decrease in absence levels. In the manufacturing sector a net 19% of employers reported decreases in absence levels, an identical finding to last year. A net 14% of public sector employers reported decreased absence levels, compared to a net 7% decrease for the previous year.

In the private services sector a net 11% of employers reported reduced absence levels, compared to last year when there was a 0% balance of employers reporting increases and decreases.

The biggest change was reported by the non-profit sector where a net 12% of organisations identified decreases in absence in contrast to the previous 12 months, when there was a 7% net increase (see Table 5).

Table 5: Absence increase or reduction compared with last year, by major sector

Industry sector	Respondents (%) saying absence has ...		
	Increased	Decreased	Stayed the same
Manufacturing and production	25	44	28
Private services	24	35	32
Public services	26	40	29
Non-profit sector	25	37	34
Survey average	25	39	29

Reasons behind the changes in absence levels

Changes in methods for recording absence were identified as the biggest reason for an increase in absence levels, followed by tightened policies, changes in workload and changes to workforce composition (see Table 6). The survey reveals that public sector employers are significantly more likely to attribute changes in methods for recording absence as a reason behind

an increase in absence than employers in the other main sectors. Organisations in the private services are more likely to identify tightened policies for reviewing attendance as a reason for increased absence levels than other employers. Improving the way absence is recorded and monitored may result in an increase (particularly in the short term) because absence is reported more accurately.

As last year, tightened policies for reviewing attendance were identified as having the biggest impact on reducing absence levels, followed by changes in methods for recording absence (see Table 7). The third most significant reason for decreased

absence levels is increased management buy-in, with nearly a fifth of employers reporting that this was a factor. In the public sector, management buy-in was cited by almost a quarter of employers as contributing to lower levels of absence.

Table 6: Reasons for increases in absence levels

	Respondents (%) saying absence has increased for this reason				
	All	Manufacturing and production	Private services	Non-profit organisations	Public services
Changes in methods for recording absence	30	20	30	24	44
Tightened policies for reviewing attendance	21	15	29	11	22
Changes to workload	18	15	16	16	20
Changes to workforce composition	15	15	17	14	10
Changes in number of long-term absences/sickness	12	17	13	16	7
Changes in work organisation (eg shift patterns, flexibility, self-managed teams)	9	7	6	5	13
Changes in staffing levels	3	2	5	3	1

Table 7: Reasons for reduction in absence levels

	Respondents (%) saying absence has decreased for this reason				
	All	Manufacturing and production	Private services	Non-profit organisations	Public services
Tightened policies for reviewing attendance	75	79	73	80	73
Changes in methods for recording absence	23	30	18	27	23
Increased management buy-in	18	14	16	18	23
Changes in work organisation (eg shift patterns, flexibility, self-managed teams)	12	12	11	7	14
Changes to workforce composition	10	12	11	9	5
Changes to workload	3	4	3	4	2
Changes in number of long-term absences/sickness	2	3	4	2	1

Case study

The chief executive at South Devon Healthcare NHS Trust ensured tackling absence was regarded as a top priority by leading training seminars for line managers to help them manage attendance more effectively.

Tony Parr led the seminars, supported by members of the Trust's HR team, to launch and support an update of the organisation's managing absence policy.

Liz Storey, the Trust's deputy director of HR, said that the chief executive's involvement ensured the initiative was taken seriously across the organisation.

The new policy placed greater emphasis on the importance of return-to-work interviews for all members of staff, regardless of how often they were off work.

The Trust also improved the support available for managers to help them take greater responsibility for managing absence, including a toolkit. This covers all aspects of the process from initial notification of absence from staff and maintaining contact, to drawing up a consent letter for occupational health. It includes a flowchart and checklist to assist managers.

Employees at the Trust were also given a sickness absence guide outlining the correct process and their obligations.

The drive to reduce absence has paid dividends, with absence levels falling from 3.9% of working time to 3.7% during 2004, and producing cost savings of nearly £170,000.

Absence levels are monitored very closely across the organisation, with the workforce planning section providing monthly reports which go to the HR adviser for each area. The Bradford Factor is used to identify individuals with unacceptable absence levels and, where necessary, the Trust's capability procedure is used to enforce its policies.

Employees with longer-term health problems are referred to the occupational health department on the judgement of the line manager and an HR adviser, with referral after six weeks usually an automatic procedure.

Liz Storey said the Trust also provides a lot of support for staff to help them balance their work and home lives.

The Trust provides all employees with up to three days' special leave a year for unplanned emergencies and a wide range of flexible working options, including annualised hours, term-time-only working and job-sharing. There are also staff counsellors and support groups for stress, violence and aggression at work.

Targets and benchmarking

In all, 44% of employers have a target for reducing absence – a slight reduction compared to the previous 12 months when 49% of organisations reported they had targets. Respondents from the public sector are most confident that they are able to reduce absence levels.

Employers in the public services and manufacturing and production sectors are most likely to use targets, with 56% of such organisations reporting that they set targets for reducing absence levels. Companies in the private services and non-profit sectors are least likely to have absence-reduction targets, with just 30% and 36% respectively reporting they had these in place (see Table 8).

Sectoral breakdown

Within the public sector, local government employers are most likely to have absence-reduction targets and education employers are least likely. Among manufacturing and production organisations, targets are most common in food, drink and tobacco employers and least common among construction employers.

In the private services sector, employers in retail and wholesale and transport and storage are most likely to use targets (44%) compared to telecommunications at the other end of the spectrum (8%).

Housing associations are the most likely of the non-profit organisations to use targets for reducing absence, with charity services being the least likely.

There is a clear connection between the size of an organisation and the likelihood of it having targets for reducing absence. Just 30% of organisations with less than 250 employees have targets, rising to 50% among organisations with 250 to 500 staff, 52% among organisations with 1,000 to 5,000 staff, and 68% of employers with more than 5,000 staff.

Types of target

Of those organisations using targets, 61% have a target to reduce absence to a percentage in working time lost. Of organisations using this type of target, 36% are

looking to reduce working time lost to 3%, 28% are seeking to achieve a figure of 4%, and 17% are aiming for a reduction to 2% of working time lost. The mean target for all employers using this method is 3.5%, almost identical to the previous year (3.6%).

The next most common target is reduction to an absolute number of days lost per employee per year, used by 23% of organisations that have an absence-reduction target. Of employers using this method, the most commonly used target is a reduction to five days per employee per year, with 15% of organisations using this as a target. The mean target for employers using this method is seven days per employee per year – a slight reduction compared to the previous year (7.2 days).

Just over 10% of employers with absence-reduction targets aim for an annual percentage reduction in working time lost, with nearly half of these aiming for a 1% reduction and a quarter seeking a 2% reduction in working time lost.

Benchmarking absence rates

In all, 44% of employers benchmark their absence rate against other employers, an almost identical figure to the previous 12 months (43%). Public sector organisations are most likely (57%) and private services employers least likely (35%) to benchmark themselves in this area.

Nearly 90% of organisations benchmark by sector and 43% benchmark by region (see Table 9).

In all, 85% of respondents believe that it is possible to reduce the level of absence within their organisation. This rises to 90% among public sector employers and falls to 81% among private services organisations.

Table 8: Organisations that have a target for reducing absence, by sector

	Number of responses	Organisations (%) with a target
Manufacturing and production	334	56
Agriculture and forestry	6	50
Electricity, gas and water	7	43
Construction	21	43
Engineering and metals	86	56
Food, drink and tobacco	53	70
General manufacturing	35	54
Paper and printing	13	53
Textiles	13	53
Chemicals	30	43
Other manufacturing	71	59
Private services	419	30
Professional services	46	26
Financial services	63	25
Hotels, restaurants and leisure	36	28
IT services	39	21
Legal and property services	23	17
Media and publishing	18	22
Retail and wholesale	61	44
Transport and storage	35	44
Telecommunications	12	8
Other private services	81	26
Call centres	10	30
Public services	210	56
Education	58	27
Central government (including defence)	25	68
Local government (including police and fire)	55	82
Health	52	67
Other public services	21	24
Non-profit organisations	80	36
Housing associations	32	53
Charity services	26	15
Care services	15	53
Other voluntary services	10	20
Survey average	1,038	44

Table 9: Extent of benchmarking, by major sector

Major sector	Organisations (%) benchmarking	Sector	Region
Manufacturing and production	39	79	48
Private services	35	86	39
Public services	57	92	47
Non-profit organisations	42	86	33
Survey average	44	87	43

The cost of sickness absence

The average cost of sickness absence has increased by 2.2% to £601 per employee per year, according to the 2005 survey. Less than half of employers monitor the cost of absence.

Average costs of absence

Just under a third of respondents provided specific data on the cost of absence, revealing the cost has increased to £601 per employee per year from £588 for the previous 12 months. The increase of 2.2% compares to the previous year when absence costs increased by 3.7% year on year.

The cost of absence is highest in the public sector, at £645 per employee, but this is down from £706 for the previous year, the second largest fall of the four main sectors. Non-profit organisations reported the biggest year-on-year reduction in the cost of absence to £607 from £686 for the previous 12 months.

But employers in the private services sector reveal increases in the cost of employee absence to £568 from £535 for the previous year. Absence costs among manufacturing and production employers also increased year on year to £624 from £575 (see Table 10).

Monitoring the cost of absence

On average, 47% of organisations monitor the cost of absence in some way, with manufacturing and production employers and non-profit organisations most likely to do this. Public sector organisations are least likely to monitor the cost of absence (see Table 11).

Where absence cost is monitored, occupational sick pay (included by 79% of employers), statutory sick pay (included by 49% of employers) and the cost of replacement labour (included by 38% of employers) are the most likely elements to be taken into account.

The other significant components of absence cost identified by respondents are overtime costs and the costs of reduced performance (see Figure 2).

A total of 80% of employers consider absence to be a 'significant' or 'very significant' cost to the business, a reduction from last year (93%).

The direct wage costs of absence

In their CIPD book, *From Absence to Attendance*, Alistair Evans and Michael Walters (2002) suggest the following formula by Hugo Fair to identify the direct wage cost of absence:

<i>Cost of absenteeism:</i>	
Enter number of employees (a)
Enter average weekly wage	£..... (b)
Multiply (a) x (b)	£..... (c)
Multiply (c) x 52	£..... = total pay bill
Enter total absence days per year (d)
Enter total number of working days per year (e)
Divide [(d) x 100] by [(a) x (e)]% (f) = absence rate
Multiply (b)/5 x (d)	£..... (g) = absence cost per year

Using this formula, an organisation with 500 employees, with average earnings of £400 a week, an average working year of 228 days per employee, and an absence level of ten days per employee per year would have a direct wage absence cost per year of £400,000 (£800 per employee per year).

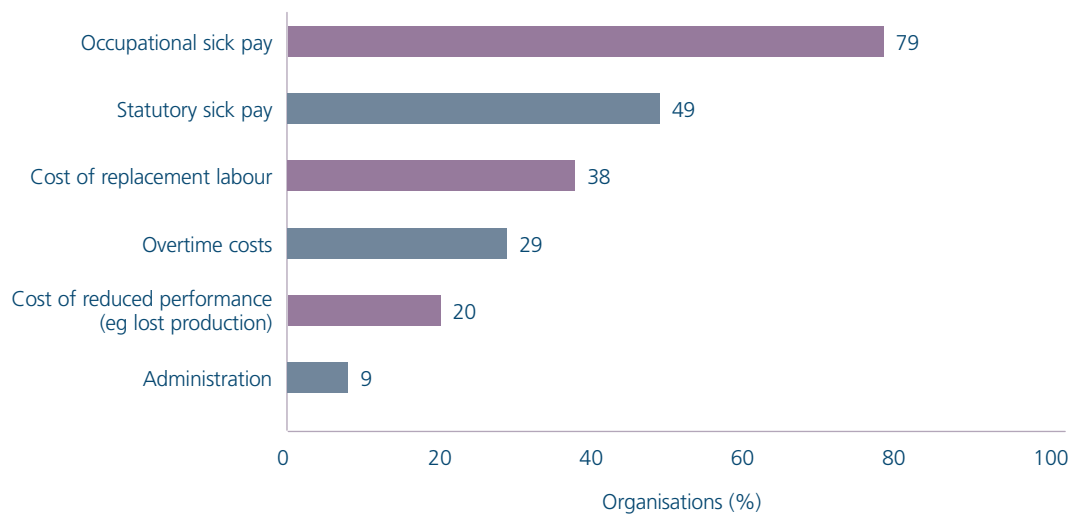
Table 10: Average cost of sickness absence per employee, by sector

	Number of responses	Cost (£) per employee per year
Manufacturing and production	114	624
Agriculture and forestry	2	350
Electricity, gas and water	2	1190
Construction	6	924
Engineering and metals	28	609
Food, drink and tobacco	23	529
General manufacturing	10	766
Paper and printing	4	720
Textiles	5	495
Chemicals	8	728
Other manufacturing	27	539
Private services	142	568
Professional services	11	636
Financial services	24	479
Hotels, restaurants and leisure	11	217
IT services	12	695
Legal and property services	6	694
Media and publishing	7	606
Retail and wholesale	18	556
Transport and storage	16	725
Telecommunications	4	509
Other private services	33	603
Public services	45	645
Education	18	478
Central government (including defence)	6	772
Local government (including police and fire)	14	644
Health	5	1060
Other public services	3	563
Non-profit organisations	25	607
Housing associations	10	606
Charity services	6	399
Care services	7	777
Other voluntary services	2	642
Survey average	325	601

Table 11: Monitoring the cost of sickness absence, by major sector

Major sector	Organisations (%) monitoring the cost of sickness absence
Manufacturing and production	54
Private services	47
Public services	41
Non-profit organisations	54
Survey average	47

Figure 2: Elements included in the cost of absence



Causes of sickness absence

More than 80% of organisations collect information on the causes of absence. Minor illness is the biggest short-term cause for both manual and non-manual employees. Back pain and stress remain the second biggest causes for manual workers and non-manual staff respectively.

Respondents were asked to rank the top five causes of short-term absence in their organisations for both manual and non-manual employees.

Minor illness, such as colds and flu, remains easily the number-one ranked cause of absence among all categories of employee and across all four main sectors.

Among manual workers, the next biggest causes of absence in order are: back pain; musculo-skeletal injuries; stress; and recurring medical conditions. There is no change in the order of the top 12 causes of absence among manual workers from last year (see Table 12).

For non-manual workers, minor illness, stress, recurring medical conditions and back pain remain the top four reasons for absence. However, in fifth place, home/family responsibilities has jumped ahead of musculo-skeletal injuries since last year, highlighting the importance of providing flexible working opportunities to help employees balance their work and home lives more effectively (see Table 13).

Sectoral differences

The figures shed some light on the causes of higher-than-average absence rates in the public sector, with a greater proportion of these employers reporting stress, mental ill health and musculo-skeletal injuries among the top five causes of absence than in the three other main sectors.

However, public sector organisations are less likely than the other three main sectors to report employees taking time off because of their home and family responsibilities as a major cause of absence – probably because they generally provide better flexible working opportunities for staff.

Within the manufacturing and production sector, respondents rank back pain and work-related injuries/accidents as higher-than-average causes of absence among manual workers.

Manufacturing and production employers are also more likely than the survey average to identify employees taking time off because of home/family responsibilities as a significant cause of absence for both manual (40%) and non-manual employees (45%).

For private services employers, absences not due to genuine ill health are ranked as a higher-than-average cause of absence among both manual and non-manual workers.

The proportion of non-profit organisations reporting that musculo-skeletal injuries among manual employees is a top-five cause of absence is higher than the survey average, as is the number of employers in this sector citing acute medical conditions as a top-five cause for manual workers.

Table 12: Causes of short-term absence, by major sector – manual workers

	Respondents (%) citing this as a leading cause				
	All	Manufacturing and production	Private services	Non-profit organisations	Public services
Minor illness	96	96	99	100	93
Back pain	63	66	57	60	61
Musculo-skeletal injuries	50	49	39	52	61
Stress	42	34	41	37	59
Recurring medical conditions	41	35	45	38	47
Home/family responsibilities	35	40	40	36	20
Other absences not due to genuine ill health	32	35	41	30	23
Work-related injuries/accidents	29	33	27	33	23
Mental ill health	28	26	27	23	40
Injuries/accidents not related to work	24	27	27	27	17
Acute medical conditions	22	25	13	27	17
Drink- or drug-related conditions	2	2	2	2	1

Table 13: Causes of short-term absence, by major sector – non-manual workers

	% of respondents citing this as a leading cause				
	All	Manufacturing and production	Private services	Non-profit organisations	Public services
Minor illness	96	97	97	97	94
Stress	56	47	53	57	66
Recurring medical conditions	48	48	48	48	48
Back pain	41	30	46	29	52
Home/family responsibilities	39	45	44	41	27
Musculo-skeletal injuries	38	31	37	26	54
Mental ill health	33	28	29	33	38
Other absences not due to genuine ill health	28	30	32	30	21
Acute medical conditions	27	27	23	24	32
Injuries/accidents not related to work	24	27	27	27	15
Work-related injuries/accidents	7	7	7	5	11
Drink- or drug-related absence	2	1	2	1	2

Causes of long-term absence

Respondents were asked to identify the most significant cause of long-term absence, defined as periods of four weeks or more, for manual and non-manual workers.

Musculo-skeletal injury has overtaken back pain as the number one cause of long-term absence among manual workers since last year's survey, with 20% of respondents identifying this as the major reason (see Table 14).

Compared to last year's survey, stress has jumped ahead of acute medical conditions into third place, with 13% of all employers reporting this as the number-one cause of long-term absence for manual workers.

In the public sector, musculo-skeletal injuries are clearly ranked as the number-one cause of long-term absence among manual workers, with a quarter of respondents identifying this as the major reason, followed by stress, back pain and mental ill health.

Within the private services sector, back pain remains the number-one cause of long-term absence among

manual workers, ahead of stress and musculo-skeletal injuries in joint second place, and mental ill health.

Back pain and musculo-skeletal injuries are the joint leading cause of long-term absence among manual workers according to manufacturing and production employers, with 21% of respondents identifying these as leading causes.

Stress and mental ill health are the leading causes of long-term absence among non-manual workers, followed by acute medical conditions, operations and recovery, and back pain (see Table 15).

Respondents in the public sector report that stress is significantly more likely to be the leading cause of long-term absence among non-manual employees compared to other sectors, with nearly half of respondents identifying this as the number-one reason.

Acute medical conditions are more likely to be seen as a leading cause of long-term absence among non-manual workers by employers in manufacturing and production.

Table 14: Causes of long-term absence, by major sector – manual workers

	Respondents (%) citing this as the leading cause				
	All	Manufacturing and production	Private services	Non-profit organisations	Public services
Musculo-skeletal injuries	20	21	13	18	25
Back pain	18	21	15	17	15
Stress	13	9	13	17	17
Acute medical conditions	12	18	9	17	6
Mental ill health	10	9	11	11	10
Operations recovery	6	8	5	7	6
Recurring medical conditions	5	5	5	4	4
Work-related injuries/accidents	4	7	2	6	1
Minor illness	3	3	3	3	3
Injuries/accidents not related to work	3	4	2	*	*

* Less than 1%

Table 15: Causes of long-term absence, by major sector – non-manual workers

	Respondents (%) citing this as a leading cause				
	All	Manufacturing and production	Private services	Non-profit organisations	Public services
Stress	36	25	34	40	49
Mental ill health	21	14	22	23	24
Acute medical conditions	18	24	18	18	11
Operations recovery	7	6	10	6	6
Back pain	5	4	8	2	6
Musculo-skeletal injuries	5	5	5	4	5
Minor illness	5	5	4	3	6
Recurring medical conditions	5	7	5	5	2
Injuries/accidents at work	2	4	2	2	1
Home/family responsibilities	1	1	1	4	0

Case study

Training line managers to manage attendance effectively and the introduction of increased flexible-working options have played central roles in helping Tesco to reduce absence across its business.

The company announced its new approach to managing absence in February 2003 at a conference attended by all 800 store managers.

In the run-up to the launch of the initiative, Tesco put all its line managers through 14 hours of training in the new process and in leadership behaviour, which emphasised the importance of coaching, treating employees as individuals and learning to ask more than tell.

All Tesco employees attended a 30-minute briefing, which outlined the new process but also allowed them to come up with suggestions on how to make life in stores better.

Under the new Supporting Your Attendance process, employees have a 'welcome back' meeting after any unplanned absence. Managers look at the root-cause of an employee's absence, and work with them to find ways to improve attendance at work. The Supporting Your Attendance process alone is not enough. There is an increased focus on flexibility to help employees balance their work and home lives. Options such as emergency or compassionate leave are available to help people, as are shift swaps. Employees are encouraged to talk to their manager about the things that can stop them coming to work and to plan in advance using flexible-working options such as extended holiday, study leave, parental leave and career breaks.

The new approach has delivered results. Unplanned absence has fallen since the introduction of the process in March 2003. Staff recently surveyed as part of a review of the process report greater flexibility and like the process where it is delivered well and led by their store manager.

Jayne Weston, Tesco's Attendance and Flexibility Manager, is in no doubt that ensuring line managers have the skills to enable them to take responsibility for managing attendance has played its part.

'I think communication between line managers and their staff has improved. Managers engage with their staff as part of their role in managing attendance but that is just the start of the conversation,' she said.

Tesco has made managers at all levels accountable for how they manage attendance by including absence management as part of a manager's performance review.

Store managers and personnel managers decide whether and when to refer individuals with long-term health problems to the firm's occupational health advisers.

Another aspect of Tesco's evolving approach to managing attendance is the decision not to provide sick pay for the first three days of absence. This policy was introduced for all new staff in stores and distribution and in partnership with USDAW. However, it has been the application of the Supporting Your Attendance process as a whole and a focus on leadership from managers that have been the key drivers in improving attendance.

Workplace stress

Stress-related absence has continued to increase, with public sector organisations most likely to identify a rise. Workload, organisational change and pressure to meet targets are regarded as the main causes of work-related stress.

Managing workplace stress is a growing challenge for employers. Nearly 40% of employers reported an increase in stress-related absence, compared to the previous 12 months, with just 10% reporting a decrease (see Table 16). However, the net number of employers reporting an increase of 29% has reduced in comparison with last year's survey report when the net increase was 44%.

Public sector employers are slightly more likely to identify increases in stress-related absence than the other main sectors, with 43% reporting a rise. But this is a substantial reduction on last year when 60% of public sector employers reported an increase.

Table 16: Increases and decreases in stress-related absence in the past year

Major sector	Respondents (%) saying stress-related absence has ...		
	Increased	Decreased	Stayed the same
Manufacturing and production	40	9	45
Private services	34	10	50
Public services	43	13	38
Non-profit organisation	42	6	46
Survey average	39	10	44

The causes of work-related stress

Respondents were asked to identify the top three causes of stress at work. The number-one cause of stress at work across all sectors is workload/volume of work, with public sector employers being the most likely to cite this as a cause, followed by private services sector organisations (see Table 17).

Organisational change/restructuring is the second most commonly identified factor behind workplace stress, with public sector and manufacturing and production employers being most likely to cite this as a factor.

Pressure to meet targets is regarded as the third highest cause of work-related stress. The manufacturing and production sector is most likely to rate this as a factor. Relationships at work and management style are also rated highly as causes of stress, particularly by public sector respondents.

Private services employers are more likely to regard a lack of support for employees from line managers as a factor than organisations in the other main sectors. Job insecurity is most likely to be rated as one of the top three causes of stress by manufacturing and production organisations.

Table 17: The causes of stress at work

	Respondents (%) citing this reason	
	Any mention	Main cause
Workload/volume of work	58	26
Organisational change/restructuring	34	10
Pressure to meet targets	32	9
Relationships at work	31	11
Management style	31	9
Lack of support from line managers	19	2
Lack of control over how work is carried out	13	2
Job insecurity	10	2
Lack of training and support for employees	7	1
Lack of consultation	7	1
Poorly designed jobs/poorly designed job roles	5	1

Methods used to identify and manage work-related stress

Three-quarters of employers are taking action to identify and manage workplace stress. Stress audits/risk assessments are the most common interventions (see Table 18).

More than half of respondents now have a written stress policy and/or guidance in place, as the CIPD recommends. Such policies can ensure that workplace stress is managed consistently across the organisation and show that the issue is seen as a priority. Training to increase awareness of issues around work-related stress among managers and/or employees is also popular, with 51% of respondents reporting that this method is used by their organisation (see Table 19).

Of course, some individuals will suffer from stress regardless of how well their employer attempts to manage the problem. Individuals' ability to cope with pressure varies considerably and obviously much stress is not related to work at all and is centred on people's home lives. This is why employers need to have in place support systems to help rehabilitate those who are unable to cope with the pressure they face at home or at work.

The survey shows that employers regard the provision of work-life balance opportunities as contributing to lower levels of stress, with more than 50% providing flexible-working options to help employees balance their work and home lives.

Nearly 50% of organisations use staff attitude surveys to pick up the signs and causes of stress. Almost 40% of employers are increasing the involvement of occupational health professionals to support and rehabilitate individuals suffering from stress. A third of employers also provide some form of employee assistance programme giving confidential counselling or advice.

The Health and Safety Executive's management standards for stress

In all, 57% of organisations are already using, or are planning to use the Health and Safety Executive's management standards for stress. Public sector employers are most likely to indicate they are using or intending to use the standards (60%), and private services employers are the least likely (52%) (see the box on page 27).

Health and Safety Executive's stress management standards

The Health and Safety Executive (HSE) defines stress as the 'adverse reaction people have to excessive pressure or other types of demand placed on them'. The safety body published its management standards for stress in November last year to help organisations identify and tackle the causes of stress at work. Employers using the standards have to carry out a risk assessment against the HSE's six causes of workplace stress: demand; control; support; roles; relationships; and change. Using the standards is voluntary but the HSE has indicated that it is becoming more proactive in enforcing employers' duty of care towards the mental health of their staff. Employers have a duty to carry out some form of risk assessment for work-related stress, either using the HSE's management standards or some other approach. Organisations that persist in ignoring this obligation are likely to be vulnerable to enforcement action if they are found to be in breach of their responsibilities under the Health and Safety at Work Act 1974.

Table 18: Organisations taking steps to identify and reduce stress in the workplace

	Respondents (%)				
	All	Manufacturing and production	Private services	Non-profit organisations	Public services
Yes	75	68	71	74	85
No	23	30	27	24	13

Table 19: Methods used to identify and reduce stress in the workplace

	Respondents (%)				
	All	Manufacturing and production	Private services	Non-profit organisations	Public services
Risk assessments/stress audits	56	56	49	62	60
Written stress policy/guidance	52	49	44	56	59
Training for managers/staff	51	45	49	46	58
Flexible-working options/improved work-life balance	51	33	50	49	66
Staff surveys	48	31	46	42	65
Greater involvement of occupational health specialists	39	46	25	41	48
Employee assistance programme	33	25	38	37	33
Changes in work organisation	17	17	19	20	15
Focus groups	13	6	12	10	20

Table 20: Obstacles to addressing stress at work

	Respondents (%) citing this reason	
	Main cause	Any mention
Stress is not clearly defined and is difficult to identify	43	70
Increasing performance targets/workload	11	45
Lack of organisational commitment/issues not taken seriously	10	29
Lack of skills for dealing with stressed staff	8	43
Increasing competitive/cost pressures	5	28
Difficulty in building a business case for investment in stress management	3	16

Obstacles to addressing stress at work

The main barrier to addressing stress at work is that it is not clearly defined and is difficult to identify, according to respondents, who were asked to rank the three major obstacles to managing the issue effectively (see Table 20).

More than 40% of respondents identified problems in defining and identifying stress as the main obstacle and 70% ranked this issue among their top three obstacles, with little variation between the sectors or different sizes of organisation. This underlines why it is important that employers carry out risk assessments and staff surveys to help them pick up on and understand the causes of stress.

Increasing performance targets are seen as the next most significant obstacle to reducing stress at work, with public and private services sector employers most likely to cite this as a factor.

A lack of organisational commitment is identified as an obstacle to managing stress effectively by nearly a third of respondents, with 10% citing this as the most

significant factor. Public sector employers are least likely and manufacturing and production employers are most likely to see this as a barrier to addressing stress at work.

In many cases, it is only possible to gain organisational commitment through building an effective business case, something that is seen as a barrier by 16% of organisations. But it should be possible for all employers to build a business case for investing in stress management. Besides the absence-related cost of stress, research by the CIPD into employee attitudes, *Employee Well Being and the Psychological Contract* (2004), shows that higher levels of stress are associated with lower work satisfaction, lower levels of loyalty to line management and a higher intention to leave the organisation.

A lack of people with the skills to deal with stressed staff is also seen as one of the top three obstacles by 43% of respondents, and particularly by public sector and non-profit organisations (46%).

Managing absence

The survey findings underline the importance of the partnership between HR and the line in effective absence management; HR to provide information and support and line managers to take primary responsibility for managing the process and building the employment relationship. They also emphasise the importance of occupational health specialist involvement, particularly in managing long-term absence.

Seven in ten employers have introduced changes in the past two years as to how they manage absence. Public sector organisations are most likely to have done so, and manufacturing and production employers and non-profit organisations are least likely to have done so.

Among those organisations modifying how they manage absence, the most common changes made are the introduction or revision of absence monitoring procedures, with manufacturing and production respondents most likely to have done this (see Figure 3).

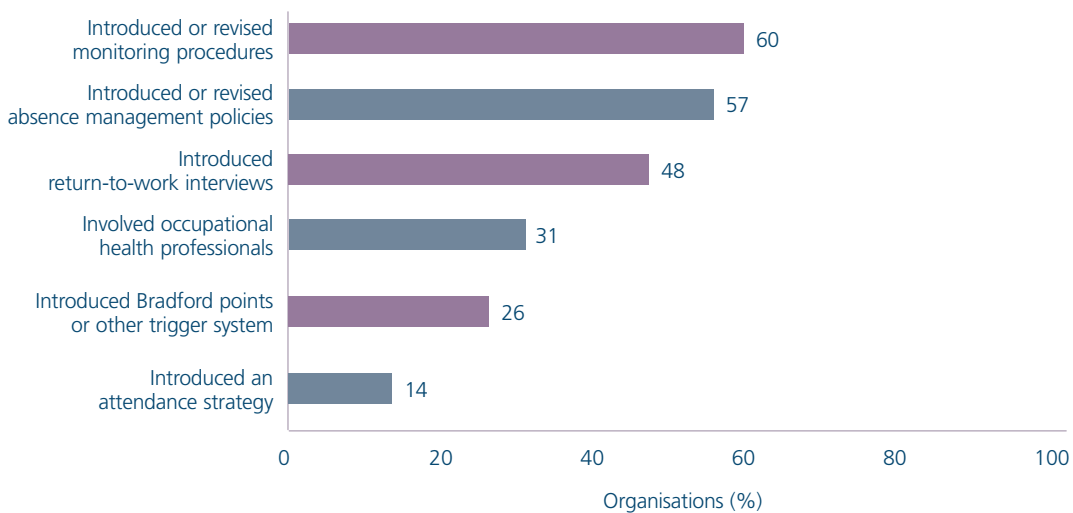
Public sector employers are most likely to have introduced a new or revised absence management

policy (64%), while private services organisations are more likely to have introduced return-to-work interviews than employers in the other main sectors.

Almost a third of employers that have made changes to how they manage absence report that they are involving occupational health professionals for the first time, with manufacturing and production and non-profit employers most likely to have done so.

Nine in ten respondents have a written absence policy. Public services are most likely to have such a policy (94%) and private services sector employers are least likely (86%).

Figure 3: Changes made to absence policy



Methods for managing short-term absence

Respondents were asked to choose from a list of 20 methods which ones they use to manage short-term absence. Return-to-work interviews and disciplinary procedures for unacceptable absence, are the two most commonly used methods of managing short-term absence, with four-fifths of respondents using these approaches (see Table 21). Non-profit organisations are most likely (88%) and private services sector organisations least likely (76%) to use return-to-work interviews.

Public sector organisations are least likely to make use of disciplinary procedures to manage unacceptable levels of short-term absence, and manufacturing and production organisations are the most likely to do this.

Providing sickness absence information to line managers, so that they are aware of the levels of absence among their staff, and ensuring line managers are involved in the process of managing absence, are the next most commonly used approaches to managing attendance. There is little sectoral variation, but private services sector respondents are least likely to report that these approaches are in use.

Trigger mechanisms, such as the Bradford factor, to identify frequent short-term absences are used by nearly 70% of organisations but there is considerable variation between sectors. Less than 60% of private services' respondents indicate that their organisation uses some form of trigger mechanism, compared to the manufacturing and production sector where 74% of organisations use such an approach.

The importance of helping employees to balance their work and home lives as part of a holistic approach to managing attendance is illustrated by the proportion of organisations (65%) that provide leave for family circumstances. The public sector is most likely (76%) and manufacturing and production organisations least likely (58%) to provide leave for this purpose.

More than 50% of employers train their line managers in managing absence, something that is more common among organisations in the public sector than the other main sectors.

The most effective approaches for managing short-term absence

Respondents were asked to identify the three most effective approaches to managing absence (see Table 22). Return-to-work interviews are rated as the most effective approach to managing short-term absence across all sectors. Trigger mechanisms, disciplinary procedures and line management involvement are also rated highly, with a quarter or more respondents identifying these among the three most effective approaches to managing absence. Private services sector employers are least likely to regard trigger mechanisms as effective. Public sector employers are significantly less likely to rate the use of disciplinary procedures as effective (19%) in managing short-term absence than the other main sectors, particularly compared to manufacturing and production (42%).

Restricting sick pay is identified as the fifth most effective management approach to reducing absence levels, but there is a considerable difference in how likely this is to be rated as 'effective' by employers in different sectors. A quarter of private services respondents cite restricting sick pay as one of the top three management interventions, compared to just 10% of public sector employers.

There is general consensus among respondents across the sectors on the effectiveness of providing line management with sickness absence information, with between 12% and 14% of respondents rating this as one of their top three methods of managing short-term absence.

Below this, occupational health involvement and training for line managers to help them take responsibility for managing absence are regarded as equally useful.

Table 21: Absence management tools for short-term absence

	Organisations (%) using this method				
	All	Manufacturing and production	Private services	Non-profit organisations	Public services
Return-to-work interviews	82	86	76	88	84
Disciplinary procedures for unacceptable absence	80	88	78	79	76
Providing sickness absence information to line managers	78	82	72	81	83
Line management involvement in absence management	76	77	70	79	81
Trigger mechanisms to review attendance	68	74	59	72	71
Leave for family circumstances	65	58	62	68	76
Managers trained in absence handling	53	54	46	52	60
Occupational health/professional involvement	50	57	33	56	62
Restricting sick pay	50	57	59	48	36
Flexible working	44	29	39	42	61
Attendance record as a recruitment criterion	35	37	32	38	38
Stress counselling	34	23	25	33	53
Changes to working patterns or environment	32	23	27	26	48
Employee assistance programmes	27	22	27	28	30
Health promotion	26	27	16	22	38
Attendance bonuses or incentives	18	29	16	15	14
Rehabilitation programmes	17	20	9	14	22
Physiotherapy services	16	17	8	11	24
Nominated absence case manager/management team	10	10	6	5	12
Attendance driven by the board	8	8	5	6	13

Table 22: Most effective management tools for short-term absence

	Respondents (%) citing this tool as one of the most effective				
	All	Manufacturing and production	Private services	Non-profit organisations	Public services
Return-to-work interviews	59	61	58	64	55
Trigger mechanisms to review attendance	28	28	21	30	34
Disciplinary procedures for unacceptable absence	27	42	23	28	19
Line management involvement in absence management	25	23	25	24	25
Restricting sick pay	19	23	24	17	10
Providing sickness absence information to line managers	13	12	14	13	14
Occupational health/professional involvement	10	13	6	13	14
Managers trained in absence handling	10	10	9	9	11
Leave for family circumstances	8	5	7	7	11
Flexible working	8	4	8	9	9
Attendance bonuses or incentives	4	5	5	4	3
Attendance record as a recruitment criterion	3	2	3	1	2
Changes to working patterns or environment	2	1	2	2	3
Employee assistance programmes	2	1	2	3	3
Monitoring sickness absence levels	1	1	1	1	1
Stress counselling	1	1	*	2	1
Absence review meetings	1	1	1	1	1
Nominated absence case manager/management team	1	*	1	1	1

* Less than 1%

Managing long-term absence

Respondents were asked to choose from a list of 20 methods which ones they use for managing long-term absence. Return-to-work interviews are again identified as the most commonly used practice to manage long-term absence (see Table 23). However, they are less likely to be used to manage long-term absence than they are for short-term absence problems.

The next most common practices for managing long-term absence are ensuring line managers are involved and providing them with the necessary information on the sickness absence records of their staff. Public sector employers are most likely to use these approaches to manage long-term absence and those

in the private services are least likely to use them.

Occupational health involvement is used by under two-thirds of employers, with under half of private services' respondents and three-quarters of public sector organisations reporting that they use this method.

More than half of employers use disciplinary procedures to tackle long-term absence and a similar proportion use trigger systems.

A significant proportion of employers (45%) use flexible working as a means of reducing long-term absence levels.

Return-to-work interviews

Used in the right way, return-to-work interviews can allow managers and their staff to have frank and sensitive discussions about any underlying causes of absence and can identify issues that need to be addressed at an early stage. One of the challenges for organisations is ensuring that managers are comfortable in these discussions and know the sorts of questions they can raise. It's also important that they take place as specified in absence management policies. If line managers don't carry out return-to-work interviews, it gives employees the message that what is said in policy doesn't happen in practice – in other words, that absence doesn't matter.

The most effective approaches to managing long-term absence

The survey reveals that there are some significant contrasts between what methods employers use in managing long-term absence and the approaches that are rated as being particularly effective. Respondents were asked to identify the three most effective approaches to managing long-term absence (see Table 24).

The involvement of occupational health professionals is rated as the most effective method of managing long-term absence, but it is only the fourth most commonly used approach. Private services organisations are least likely to rate occupational health services as effective.

The use of rehabilitation programmes to manage long-term absence is rated as the second most effective response to long-term absence, yet only 31% of employers make use of co-ordinated rehabilitation initiatives. Again, private services organisations are least likely to rate them as effective. Manufacturing and production employers are most likely to rate rehabilitation programmes as effective.

Involving line managers in managing long-term sickness absence is also rated highly as an effective intervention among respondents across all sectors.

Flexible working, return-to-work interviews and restricting sick pay are all regarded as being useful in managing long-term employee absence levels effectively.

Table 23: Absence management tools for long-term absence

	Organisations (%) using this method				
	All	Manufacturing and production	Private services	Non-profit organisations	Public services
Return-to-work interviews	71	74	62	79	77
Line management involvement in absence management	64	62	57	66	73
Providing sickness absence information to line managers	64	66	55	70	72
Occupational health/professional involvement	62	66	46	70	75
Disciplinary procedures for unacceptable absence	52	52	45	53	58
Trigger mechanisms to review attendance	50	50	42	56	59
Flexible working	45	34	38	44	60
Managers trained in absence handling	45	43	35	46	56
Restricting sick pay	40	42	44	41	35
Changes to working patterns or environment	39	29	35	36	51
Stress counselling	38	28	28	42	58
Leave for family circumstances	36	31	30	40	46
Rehabilitation programmes	31	37	19	32	40
Employee assistance programmes	28	23	27	30	33
Attendance record as a recruitment criterion	26	27	20	29	31
Health promotion	24	24	14	21	37
Physiotherapy services	17	19	9	17	26
Nominated absence case manager/management team	14	12	10	11	18
Attendance bonuses or incentives	12	19	9	11	10
Attendance driven by the board	8	7	5	6	14

Table 24: Most effective absence management tools for long-term absence

	Respondents (%) citing this tool as one of the most effective				
	All	Manufacturing and production	Private services	Non-profit organisations	Public services
Occupational health/professional involvement	48	58	34	54	53
Rehabilitation programme	18	27	12	19	18
Line management involvement in absence management	17	17	16	15	17
Flexible working	14	13	17	15	10
Return-to-work interviews	13	14	13	13	14
Restricting sick pay	13	14	14	13	10
Changes to working patterns or environment	12	9	14	15	11
Stress counselling	7	4	4	10	11
Employee assistance programmes	6	6	7	7	6
Managers trained in absence handling	6	6	5	2	7
Trigger mechanisms to review attendance	5	5	5	7	67
Providing sickness absence to line managers	5	4	5	5	5
Nominated case manager/management team	5	4	4	4	5
Disciplinary procedures for unacceptable absence	5	6	5	3	3
Home visits	3	2	5	5	4
Regular contact	3	2	3	4	2
Physiotherapy services	2	4	1	3	2
Phased return to work	2	1	1	2	3
Attendance record as a recruitment criterion	1	1	2	1	2

Occupational health services

The survey asked respondents a specific question about the overall availability of occupational health services to establish the proportion of employers that provide their employees with voluntary access to such services to deal with short- and/or long-term absence. This showed that almost three-quarters of employers provide access to occupational health services, with the public sector most likely (80%) and private services organisations least likely to (58%) to make this provision.

Organisations with 250 employees or less are significantly less likely (54%) than larger employers to provide employees with access to occupational health services.

Among organisations of 251–500 employees, occupational health provision increases to 83% and rises more or less continually with the size of organisation to 94% of employers with 10,000 or more employees.

The survey shows that occupational health services are most likely to be provided through a contract with an external provider, with 54% of respondents using this approach. Just over a quarter of organisations buy in the services of an occupational health provider as and when necessary, 18% of organisations have an in-house occupational health department, and 17% have an in-house occupational health professional or other health professional such as a company doctor or nurse (see Table 25).

Table 25: How occupational health services are provided

	Respondents (%)				
	All	Manufacturing and production	Private services	Non-profit organisations	Public services
Occupational health services are provided through a contract with an external provider	54	52	50	63	61
An external occupational health service provider is brought in where necessary	26	22	41	25	15
In-house occupational health department	18	21	9	11	26
In-house occupational health professional or other health professional (company doctor or nurse)	17	25	11	12	15

Respondents were asked at what point their organisations refer employees with sickness absence problems to occupational health services.

Most organisations (61%) refer staff to occupational health services at the manager's discretion, with advice from HR. Manufacturing and production organisations are most likely (65%) and public sector employers least likely (52%) to adopt this approach.

A fifth of organisations refer employees after a number of recurring short-term absences, with this method being more commonly adopted in the public sector (29%) than in the other sectors, particularly the

private services sector (14%).

In 13% of organisations, employees are referred on the basis of manager discretion alone, with the public sector most likely (21%) and non-profit organisations least likely (5%) to use this approach.

Among employers that refer employees after they have been off work for a specific length of time, a month is the most common referral point, with 16% of organisations doing so at this point. The average length of time before employees are actually referred is four weeks and three days, with little difference across sectors.

Rehabilitation policies

Only 36% of organisations have a specific rehabilitation policy. Public sector organisations are most likely (49%) and private services organisations least likely (27%) to have rehabilitation policies.

The CIPD believes it's important that employers have such policies in place to ensure that employees who are returning to work are managed in a consistent and co-ordinated way across the organisation and receive the support they need.

Attendance incentives

Attendance incentives have generated a number of media headlines over the past year, partly as a result of the Royal Mail's scheme (see the case study on page 38) where employees with exemplary attendance records are entered into a prize draw to win a Ford Focus car. In this year's survey we asked a number of questions concerning incentives to try and establish to what extent they are used, what type of incentives are typically on offer, and whether HR practitioners believe they are effective.

In all, 18% of respondents report that their organisation uses some form of attendance incentive, with manufacturing and production employers most likely (29%) and those in the public sector least likely (14%) to do so.

Among those organisations using attendance incentives, by far the most commonly used type is some form of bonus payment linked to the achievement of an absence target rate. Nearly two-thirds of respondents cited this approach (see Table

26). This sort of incentive is most popular among manufacturing and production employers (70%) and is used least by public sector organisations. A quarter of respondents use some form of prize as an attendance incentive and 10% offer additional days' holiday entitlement, with public sector organisations being most likely to use this approach.

HR practitioners are not convinced that attendance incentives contribute to lower levels of absence. Among respondents that use attendance incentives, 47% believe that they have helped to reduce absence levels, 36% think that they have not had an effect, and 15% of respondents are not sure either way. Private services sector respondents are most likely to believe attendance incentives are effective (52%) than believe they are not effective (31%).

Public sector respondents are divided down the middle in their views, with 50% rating attendance incentives as effective in reducing absence levels and 45% disagreeing.

Table 26: If your organisation uses an attendance incentive, what type does it use?

	Respondents (%) using different types of attendance incentives				
	All	Manufacturing and production	Private services	Non-profit organisations	Public services
Some form of bonus payment linked to a target	63	70	58	82	57
Some form of prize	25	23	21	14	20
Additional days' holiday entitlement	10	7	10	0	20
Recognition letter	2	2	0	5	2
Other	6	4	7	5	9

Case study

A programme to transform how absence is managed at the Royal Mail has helped boost attendance rates by almost 11% since last summer. The programme has improved support for people off sick and also rewards good attendance.

Tammy Tansley, Royal Mail's Employee Relations Manager, said that the dual approach had helped to reduce unplanned absence (which includes sickness absence and all special leave) at Royal Mail from 6.4% to 5.7% over the six-month period between the beginning of August 2004 and the end of January 2005.

'This has meant an extra 1,000 people at work on any one day collecting, sorting and delivering the mail,' said Tansley. 'This is really good news for customers and has enabled us to improve quality of service.'

The programme was managed by a steering group, which considered the problems with the existing system, best practice and the obstacles to making change happen. The group then drew up a 13-point managing absence standard as the starting point for change. The standard, which was introduced following consultation with the trade unions, emphasised the central role of the line manager. This includes carrying out return-to-work interviews, maintaining contact with staff if they are off sick, ensuring those off sick have access to Royal Mail's occupational health service experts, and organising rehabilitation and return-to-work plans. This approach has helped to ensure there has been no loss of service to customers.

Around 13,000 managers across the business were given training to help them use the standards, as well as a range of other support. This included a special intranet site dedicated to absence management, an absence-tracker tool that allowed managers to track the absence records of all of their employees, and a best practice guide.

Royal Mail has also renegotiated its contract with its occupational health provider to deliver better-quality health services to employees. People are now referred after they have been off work sick for 14 days, rather than the previous benchmark of 21 days. Individuals who are suffering from stress or musculo-skeletal problems are now referred on day one of their absence because of the importance of early intervention for anyone suffering from such conditions.

In addition to supporting people if they are sick, Royal Mail recognised and rewarded those with a good attendance record. Anyone who did not take a day off sick between the beginning of August 2004 and the end of January 2005 was entered into a prize draw to win a new car or holiday vouchers. As a result, 37 people won a new car, 75 people won £2,000 in holiday vouchers and everyone who was eligible for the draw – over 90,000 employees – won £150 of holiday vouchers.

Tansley said that following the success of the first scheme, and the introduction of the new initiatives to improve attendance levels, a second scheme had been launched for the next 12 months. The company has also started the next phase of the drive to tackle absenteeism, focusing on employee engagement and improving access to physiotherapy and occupational therapy services for those who need them.

Performance targets and appraisals

One aspect of effective absence management which is often cited is the need to have senior management buy-in and ensure that line managers take responsibility for managing absence. However, what is not clear is how organisations try and ensure that absence management remains an ongoing priority for managers at all levels, and not just when absence levels start creeping up to spark a renewed drive to manage the issue.

One way is to link how managers manage attendance to their appraisals and personal objectives.

The survey asked respondents if absence management performance is linked to senior managers’ appraisals/ performance targets and whether this approach was effective in reducing absence levels. It also asked the same question in relation to line managers.

Senior managers

Just over a quarter of employers include absence management performance as an element of senior managers’ appraisals/performance targets, with manufacturing and production organisations most likely (35%) and non-profit organisations least likely (21%) to do so. In all, 25% of private services sector organisations and public sector employers adopt this approach.

The majority of respondents (47%) believe that making senior managers accountable for absence management performance through appraisals/performance targets is effective in reducing absence levels. In contrast, 10% of respondents hold the opposite view, with 42% saying that they don’t know. Respondents from the non-profit sector (56%) and manufacturing and

production organisations (52%) are most likely to believe that senior management accountability helps to reduce absence levels. Public sector respondents (40%) and those in the private services (46%) are least likely to believe that this approach has a positive impact on absence levels.

Line managers

In all, 27% of employers include absence management performance as an element of line managers’ appraisals/performance targets (see Table 27).

Respondents are marginally more likely to believe that including absence management performance as an element of line managers’ appraisals/performance targets is effective in reducing absence levels than they are with regard to senior managers.

In all, 50% of respondents believe that making line managers accountable for their absence management performance helps to reduce absence levels, with just 8% taking the opposite view and 41% saying they don’t know.

Appraisals

Finally, the survey asked whether employees’ attendance records are part of the performance measures for their appraisals (see Table 28).

This showed that under half of respondent organisations include employees’ attendance records as part of the performance measures for individuals’ appraisals. Public sector organisations are significantly less likely (28%) to take this into account compared to employers across the three other main sectors.

Table 27: Organisations that include absence management performance as an element of line managers’ appraisals/ performance targets

	Respondents (%)				
	All	Manufacturing and production	Private services	Non-profit organisations	Public services
Yes	27	33	25	23	24
No	72	66	74	77	75

Table 28: Organisations that take into account attendance records as part of performance measures for individuals' appraisals

	Respondents (%)				
	All	Manufacturing and production	Private services	Non-profit organisations	Public services
Yes	44	53	48	41	28
No	55	45	51	58	71

In all, four in ten respondents believe that including employees' attendance records among performance measures for individuals' appraisals has a positive effect on reducing absence levels; 12% disagree and 42%

say they don't know. Manufacturing and production respondents are most likely to see this approach as effective (42%) compared to respondents from the other main sectors, particularly the public sector (33%).

Case study

A key aspect of Jaguar's approach to reducing absence at its Halewood plant is ensuring that line managers at all levels are accountable for how they manage attendance through their individual appraisals and performance targets.

The plant has a target of reducing casual absence year on year to less than 3%, which filters down to departmental and personal objectives to help meet the target.

Supervisors have a target to carry out return-to-work interviews within 24 hours and ensure that all employees have contact cards, which place an emphasis on employees phoning their supervisor personally if they are unable to attend work, preferably before the start of a shift.

This approach, combined with the introduction of a revised absence management policy, has contributed to a reduction in casual absence rates, down to 2.76% in 2004 from 3.24% for the previous year.

The new policy, introduced in April 2004, makes a clear differentiation between casual absence and capability-related absence at a very early stage.

If an individual has two or more health-related absences for the same reason in 12 months, they can be categorised as suffering from an underlying, chronic illness and considered under the capability procedure. This involves being referred to the company doctor and, where necessary, for further support such as counselling and physiotherapy – both provided on site.

All other unplanned absence is categorised as casual absence and managed as an issue of conduct, where necessary through the disciplinary process.

Jaguar has a very clear trigger process, which applies to both casual and capability-related absence and ensures that managers intervene at an early stage.

Case study (continued)

At stage one, supervisors hold absence review meetings with any employee who has had two absences in a 12-month period, to remind them of the plant's policy and, just as importantly, to try and identify any issues that may be an underlying cause. In all, there are six stages, culminating in a dismissal hearing with the area manager in attendance.

Where necessary, Jaguar's HR team provides support and advice to managers and supervisors, as well as access to an absence database which monitors and tracks absence levels and causes across the plant operations.

Long-term absence is managed through a case management approach. The firm has a recovery programme where workplace health advisers work alongside supervisors and the HR team to help employees to return to work gradually on reduced hours or in less-demanding roles.

The company is also putting more emphasis on managing stress as this has become the number-one cause of absence for both manual and non-manual employees. An employee attitude survey and focus group discussions are used as part of the plant's risk assessment to identify and manage particular causes of stress.

Employees are referred to the occupational health department at the first sign of stress and a range of support measures are available including flexible working, practical advice, counselling and time off to allow individuals to resolve domestic situations. Jaguar's approach to managing absence is supplemented by an attendance incentive of £30 per week, which is paid to employees if they attend work consistently.

Occupational sick pay provision

In all, 94% of employers provide occupational sick pay with little variation across sectors.

Tesco hit the headlines last year over its decision not to provide occupational sick pay to new employees for the first three days of absence. Tesco are not the first employer to choose this approach, which takes account of the fact that employers are under no legal obligation to pay sick pay until the fourth consecutive day of absence. The survey shows that, while 83% of respondent organisations' sick pay schemes cover the first three days of absence, a significant minority of organisations' schemes (15%) do not.

Manufacturing and production businesses are most likely not to provide occupational sick pay (24%) for the first three days of absence, compared to just 8% of public sector organisations.

Almost two-thirds of respondent organisations' absence management policies include a provision to withhold sick pay if there is a belief that an individual is not genuinely ill. Nearly three-quarters of manufacturing and production businesses make such a provision, compared with only 48% of public sector organisations.

Only a third of employers have actually withheld occupational sick pay in the past 12 months because of a belief that an absent employee is not genuinely ill. Only 22% of public sector organisations have done so, and this rises to 42% for manufacturing and production employers.

The survey shows that, on average, employers stop paying occupational sick pay at the full rate after three months and one week. Manufacturing and production and public sector organisations provide sick pay at the

full rate for three months and nine days on average, while non-profit organisations do so for two months and two weeks.

Organisations typically stop paying occupational sick pay altogether after four months and 24 days. On average, public sector employers provide occupational sick pay for the longest of all the main sectors, at five months and 18 days.

Pre-employment screening

Just over 70% of employers ask job applicants to provide details of their previous absence records (ie how many days sickness they have had in the past 12 months with their last employer), with little variation across sectors or organisational size.

Only a minority of organisations (7%) include an attendance requirement in their job specifications (eg less than five days' absence in the past 12 months), with this most likely to occur in non-profit organisations and least likely to occur in the public sector.

Seven in ten of respondent organisations require all job applicants to fill in a health questionnaire as part of the recruitment and selection process. This rises to 80% among manufacturing and production respondents and falls to 53% among private services sector organisations. In all, 7% of employers only require job applicants to fill in health questionnaires when they are applying for certain categories of jobs.

About a fifth of organisations include a medical examination as part of the recruitment process for all prospective members of staff. This is much more likely to be the case among manufacturing and production organisations (40%) than in the other main sectors, particularly the private services (5%).

More than a quarter of respondents include a medical examination when filling vacancies for some categories of staff, with this most likely to happen in the public sector (39%) and least likely among non-profit organisations (22%).

Absence that is not genuine

Employers believe that, on average, 14% of employee absence is not genuine (see Table 29).

Just under a third of respondents believe that less than 5% of absence is not genuine, almost a quarter estimate that non-genuine absence makes up 6–10% of absence, 17% believe the figure is 11–20%, and 11% estimate it to be 21–30%.

The non-profit and public sectors are more likely to believe that absence is genuine, with respondents from these sectors estimating that, on average, non-genuine absence accounts for just over 12% of all absence.

Employers in the manufacturing and production sector and in the private services sector are slightly more sceptical, estimating that, on average, non-genuine absence accounts for 16% and 15% of absence from work respectively.

Confidence in genuine absence tends to be highest among smaller employers of less than 250 people and among larger employers of more than 5,000 staff.

Table 29: The proportion of absence that is not genuine

	Respondents (%) citing this proportion of non-genuine absence
Less than 5%	29
6–10%	24
11–20%	17
21–30%	11
31–40%	4
41–50%	4
Over 50%	2
Average	14

Are employee absence levels typically higher on Mondays and Fridays than other days of the week?

Overall, respondents were divided, with 36% reporting that they had identified an increase in absence levels just before and after the weekend, and 34% saying they had not.

Employers in the manufacturing and production and private services sectors are most likely to believe

absence levels increase on Fridays and Mondays, with 41% and 39% respectively reporting that this is the case. In all, 28% of public sector employers and a third of voluntary sector organisations think absence increases just before and just after the weekend.

In all, 28% of employers do not record this information. Almost 40% of public sector employers don't record this information, compared to just 20% of manufacturing and production organisations.

Methodology

In March 2005 a total of 10,000 questionnaires were sent out to a sample of people management specialists. The questionnaire included 48 questions on the level, causes and costs of absence. It also asked a number of questions on how organisations manage absence, in both the long and short terms. Although much of the survey was similar to previous years, it included new questions on the provision of occupational health services, attendance incentives, occupational sick pay and pre-employment screening.

A total of 1,038 usable replies were received – a response rate of 10.4%. All together, more than 2

million people are employed by the organisations that responded.

In all, 20% of responses were from the public sector, 40% were from private sector organisations, 32% were from manufacturing and production employers, and 8% were from non-profit organisations.

Our analysis is based on the number of people answering the questions concerned. Percentages have been rounded to the nearest whole number.

Table 30 shows the distribution of responses by sector.

Table 30: Distribution of responses, by sector

	Number of responses
Manufacturing and production	334
Agriculture and forestry	6
Mining and quarrying	0
Electricity, gas and water	7
Construction	21
Engineering and metals	86
Food, drink and tobacco	56
General manufacturing	35
Paper and printing	13
Textiles	13
Chemicals	30
Other manufacturing	71
Private services	419
Professional services	46
Financial services	63
Hotels, restaurants and leisure	36
IT services	39
Legal and property services	23

continued overleaf

Table 30: Distribution of responses, by sector (continued)

	Number of responses
Media and publishing	18
Retail and wholesale	61
Transport and storage	35
Telecommunications	12
Other private services	81
Call centres	10
Public services	210
Education	58
Central government (including defence)	25
Local government (including police and fire)	55
Health	52
Other public services	21
Non-profit organisations	80
Housing associations	32
Charity services	26
Care services	15
Other voluntary services	10
Total	1,038

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Chartered Institute
of Personnel and
Development

151 The Broadway London SW19 1JQ
Tel: 020 8612 6200 Fax: 020 8612 6201
Email: cipd@cipd.co.uk Website: www.cipd.co.uk
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