

PERSONNEL COMMITTEE

20 June 2007

SICKNESS ABSENCE REPORT

REPORT OF HEAD OF ORGANISATIONAL DEVELOPMENT

Contact Officer: Vicki Finlay Tel No: 01962 848408

RECENT REFERENCES:

PER003 - Policy for the Management of Sickness Absence - 15 November 2001

PER111 - Human Resources Department Performance Monitoring – 5 March 2007

PER104 - Sickness Absence Monitoring Report – 18 September 2006

EXECUTIVE SUMMARY:

The Council's Absence Management Policy was introduced in 2003 when absence levels were running at an average of 11.7 day per full time equivalent, placing the Council amongst the worst performing District Councils in this area. Since the introduction of the policy and the associated interventions, including Return to Work interviews, absence levels have decreased significantly and are currently an average of 9 days per full time equivalent.

Last year, a new integrated HR/Payroll system was introduced allowing more detailed absence recording and reporting and it is anticipated that this will ensure that absence levels continue to decrease over the coming year. The Council's current sickness absence targets (BVPI12) is to achieve an average of 8 day sickness absence per full time equivalent, which would place it amongst the best performing District Councils.

However, in order to continue to both provide efficiency savings and to ensure that the Council continues to operate in an efficient and effective manner, it is essential that the management of sickness absence maintains a high profile and that investigation continues into ways to ensure this improvement.

This report sets out the current levels of sickness absence and the actions taken to achieve these levels before exploring interventions put in place in both the public and private sector to reduce sickness absence levels.

RECOMMENDATIONS:

That the contents of the report be noted and the proposed action plan contained in Appendix 1 be agreed.

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SICKNESS ABSENCE REPORT

Report of Director of Organisational Development

DETAIL:

1 Introduction

- 1.1 The Council's Policy for the Management of Sickness Absence has been in place since 2003 provided a consistent structure in which both short term and long term absence are managed, at the same time ensuring compliance with the Disability Discrimination Act.
- 1.2 In addition, sickness absence levels are reported on a quarterly basis, both for performance monitoring as part of the corporate BVPIs and at a departmental level to provide managers with details of sickness absence.

2. Drivers for Managing Absence

2.1 External

- 2.1.1 The issue of sickness absence continues to have a high profile in the media, with particular emphasis being given to the cost of absence. Both the public and private sectors increasingly recognise its effect, not only on productivity, but also on the people affected, their family and colleagues.
- 2.1.2 Absence management is closely linked with the Gershon efficiency improvement agenda. Councils are aiming to reduce absence levels in order to improve the productive time of staff and thus provide efficiency savings.

2.2 Internal

- 2.2.1 The cost of absence is considerable in terms of direct costs including statutory and occupational sick pay, cost of replacement staff and loss of productivity. In addition to these direct costs there can be a number of indirect costs which are harder to quantify. These include low morale and stress among staff who have to do additional work to cover for those off sick, the cost of managing absence, reduced levels of customer service, reduced levels of staff retention leading to increased recruitment costs and a loss of skills and experience.

3 Absence Benchmarking

- 3.1 The most recent CIPD absence survey undertaken in 2006 puts national absence levels across all sectors at an average of 7 days per person giving an absence rate of 3.3%.
- 3.2 There is a significant difference between the levels of absence in the public and the levels seen in the private sector. The current absence level in the public sector overall is 9.9 days per person, slightly reduced from last year. The level of absence

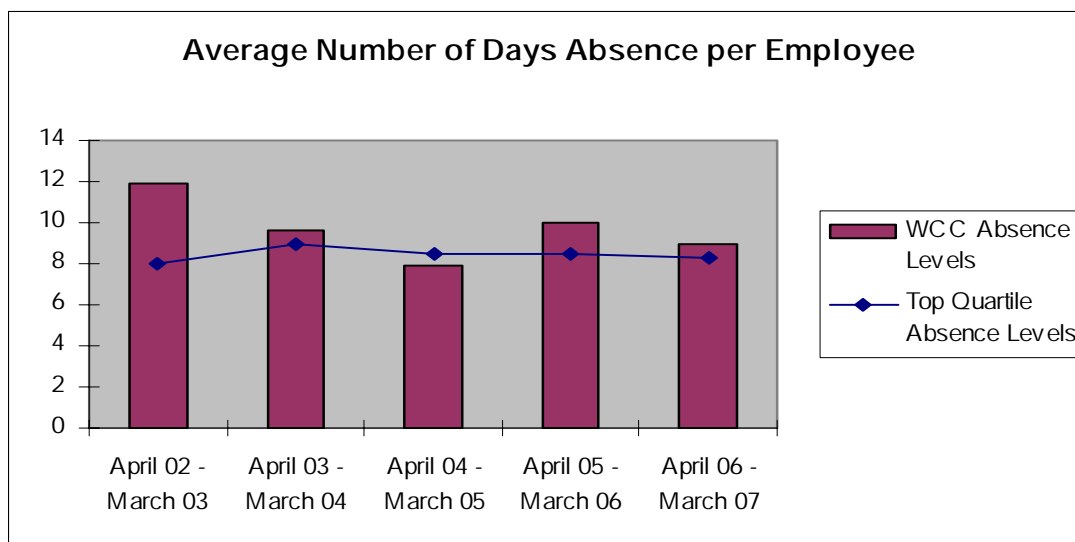
in local government increased slightly over 2006 to 11 days per person. In contrast, although the level of absence in the private sector has remained static, it is considerably lower at 6.8 days.

- 3.3 In the public sector long term absence (defined as more than 4 weeks) accounts for 25% of working time lost. In contrast long term absence in the private sector accounts for only 8% of absence. There is a link between the levels of long term sickness absence and the levels of occupational sick pay offered by organisations. The public sector offers up to 6 months full pay and 6 months half pay after 5 years service compared to the private sector which offer a lot less, normally around 4 to 6 weeks sick pay.

4. Current Trends

- 4.1 The Council has been monitoring absence since 2001 on a corporate level. However, with the introduction of the Policy in 2003 more detailed absence information has been provided to managers on a quarterly basis showing absence details for a rolling 12 month period. The information provides a summary of departmental absence and also details the total absence, by number of days and number of occasions for each member of staff. Any members of staff with high levels of absence, indicated by a high Bradford Index, are highlighted on the report along with details of any formal action taken, such as Occupational Health referrals. It is intended that this information will be produced on a monthly basis in future.

- 4.2 Appendix shows a breakdown of absence levels since April 2002. Figure 1 below shows a comparison of the sickness absence levels in the Council with the top quartile of District Councils.



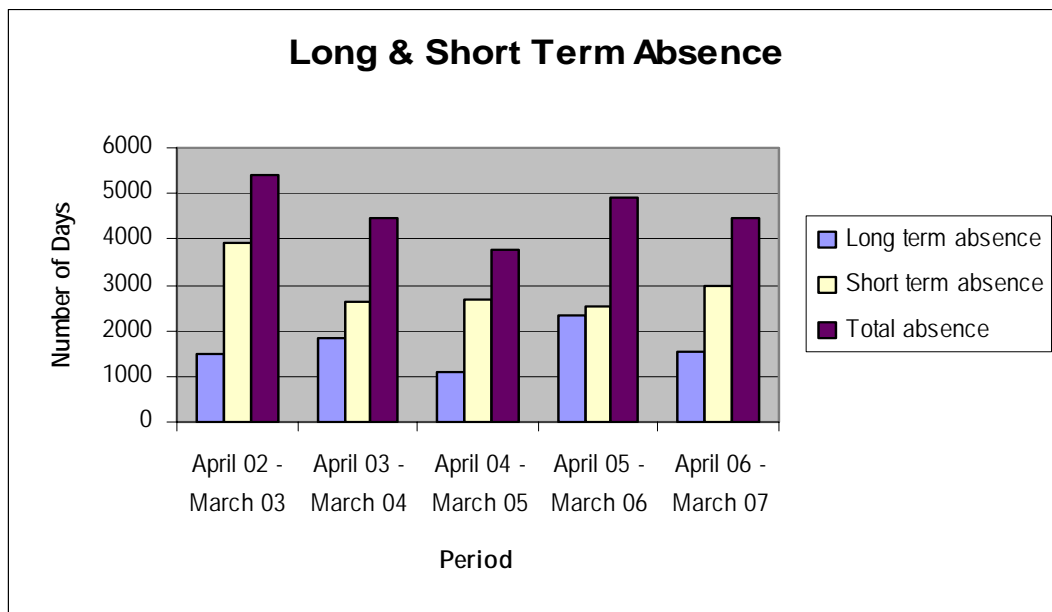
This chart shows that overall sickness absence has reduced since 2002 following the introduction of an Absence Management Policy and systems for monitoring absence.

- 4.3 The levels of sickness absence at the beginning of 2002 were significantly higher than those recorded by the top quartile of District Councils. From the time that the policy was introduced in 2003 up until 2005 the levels of absence showed a steady decline from a high of 11.86 days in 2002/2003 to the lowest level of 7.9 days per person in 2004/05. This was the result of a programme of training and system of return to work interviews that were set up with line managers, supported by the provision of absence

information and advice from HR Advisors. As a result a number of long standing long-term absence cases were resolved and a considerable reduction in short term absence was achieved.

However, in the year 2005/06 absence levels increased significantly to 10 days per employee.

- 4.4 The graph below shows the Council's sickness absence levels split between long and short term sickness absence. Whilst short term sickness absence has shown a fairly steady decline since 2002, long term sickness absence levels have fluctuated more, increasing to their highest levels in 2005/06.



The current sickness absence information shows that these long term absence levels have again reduced following the resolution of a number of cases. However, short term absence levels have increased over the last year.

4.5 Increase in Short Term Sickness Absence

The increase in short term sickness absence can be attributed to a number of factors:

- The introduction of the Selima HR/Payroll system required all sickness absence to be recorded on the system. This is either done by line managers or designated sickness administrators. This information is then reported back to Heads of Division on a quarterly basis.

It was anticipated that the introduction of the system would lead to either an increase in sickness levels due to sickness absence being more accurately recorded or to a significant decrease due to managers not using the system and periods of sickness absence not being recorded. These concerns were highlighted in the last report on sickness absence in September 2006. The audit systems put in place as part of the introduction of the system have shown that the system is being used to record sickness absence and therefore the sickness levels recorded and reported are more accurate than under the previous system of absence recording. This offers some explanation for the increase in short

term sickness absence levels over the last year and monitoring in this area will continue.

- The Council has been going through a period of change over the past year combining a restructure with office moves affected the majority of employees in the Council. This type of change will unsettle employees and can often contribute to an increase in sickness absence levels. In addition, these changes have come at a time when there is significant pressure on staff to achieve more with fewer resources.

5. Managing Sickness Absence

5.1 A large scale nationwide survey has recently been undertaken by the IRS Employment Review, a recognised leader in employment intelligence, into the most effective methods used by employers to manage sickness absence.

5.2 The results of the survey show that:

- Absence initiatives taken by employers are often complex and require time, effort and expense to make them succeed.
- Successful initiatives are those that take account of each organisation's unique culture and circumstances.
- Managers have a key role in managing their teams' absence. Winning manager buy-in needs persuasion, the provision of key skills training, support from a well drafted and understood absence policy and the combined efforts of HR and senior managers to prioritise absence management. Line managers should also be assessed on their performance in managing absence.
- Ensuring that absence recording and reporting is being carried out properly is a priority.
- The most important aspect of managing absence is ensuring the return to work interviews are carried out after each period of absence and individuals with poor attendance records are identified and investigated.

6. Current Policies

6.1 The Council has already undertaken a lot of work in relation to absence management including:

- Absence management training for managers and supervisors
- Introduction of return to work interviews after every period of absence – these have been proven to be the single most effective tool in reducing sickness absence.
- The provision of absence information to managers at a corporate, directorate, departmental and individual level.
- Introduction of a self-referral counselling service for all staff.
- Adoption of an Employee Wellbeing Policy and associated stress awareness training for managers and supervisors.

- Implementation of a new HR/Payroll system with self service to enable the provision of more accurate and timely absence information.
- A range of activities provided by the Health at Work Group to encourage staff to adopt a healthy lifestyle.
- The introduction of more flexible working patterns to enable employees to balance their work and private lives.
- HLOWLA Wellbeing project looking into occupational health services, stress management and other initiatives on a regional basis.

In addition to the above a number of other things have been put in place which indirectly impact on absence, particularly stress related absence such as:

- Performance review training
- Equality awareness training
- Risk management training

- 6.2 All of the above initiatives have had a significant effect on absence levels within the Council as shown in Fig 1 at 4.2 above and this decrease is expected to continue with the continued focus on absence management and the provision of timely absence information. To ensure that this decrease in absence levels continues as anticipated, it is essential that the profile of absence management is maintained.
- 6.3 Research shows that absence management does not succeed through the introduction of a single intervention but through the implementation of a number of different initiatives. The same research shows that the approach to absence management differs between the public and the private sector. Whilst there are common themes within both sectors with the use of return to work interviews and recording and monitoring absence, the public sector approach is much more likely to focus on support thorough flexible working, occupational health support and stress management. The private sector are much more likely to focus on imposing financial penalties or offering financial incentives.
- 6.4 The approach taken so far by the Council, with a considerable success, is very much in line with other public sector employers, focussing on support and initiatives to reduce the likelihood of employees becoming ill.
- 6.5 However, with the current pressure on finance and resources, Members have requested that further investigation into other more innovative ways of reducing absence are considered with particular consideration of organisations in the private sector.

7. Potential Levers for Reducing Absence

- 7.1 Research has been undertaken into other initiatives put in place by organisations to try to reduce absence levels. A number of these are detailed below:
- i) Employee Assistance Programmes – these vary across providers but typically provide the following:

- A nurse led absence management call centre – all absence calls from employees are made to a nurse who requests details of symptoms and provides advice over the phone. Follow up calls are made at intervals to encourage return to work at the appropriate time.
- Provision of management information on absence
- Telephone counselling help line.
- Occupational Health Services

The cost also varies depending on the level of service provided but on average the cost is around £50 per employee per year.

More recently, 'pay as you go' EAPs have been launched providing telephone and face to face counselling. These involve an annual management fee of around £1 per employee and the requirement to purchase blocks of counselling sessions at a cost of around £600 - £900.

ii) Financial Penalties

Restricting sick pay for the first few days of the period of sickness absence has been used in the private sector as a method of reducing short term absence. The principle behind it is that sick pay is not paid for the first three days of absence ie until the employee reaches their Statutory Sick Pay entitlement. This approach was trialled in 2004, amidst much negative publicity, by Tesco and already used by Asda who claimed to see a reduction of sickness through this approach.

Another scheme trialled by Tesco was to offer more holiday allowance but reduce it every time a worker takes a day off sick.

Reducing sick pay entitlement – occupational sick pay in the public sector provides for up to 6 months full and 6 months half pay. This is compared to the private sector where sick pay entitlement is 6 weeks or less. Sick pay entitlement in the public sector forms part of the national terms and conditions of employment, negotiated and agreed with UNISON. This is being discussed at a national level as part of national agreements and pay awards.

iii) Financial Reward

A number of organisations, generally within the private sector have used financial reward as an incentive for reducing absence.

The incentive that received the most publicity recently was introduced by Royal Mail in 2005/06. This scheme gave Royal Mail employees the chance to win a new car in a prize draw if they had 100% attendance. Royal Mail saw a reduction in absence rates of 1.1% over the year and gave away £150 holiday discount vouchers to the 56 000 employees who had 100% attendance as a 'thank you', 39 Vauxhall Astras to the winners and 780 shopping vouchers to the runners up. The Royal Mail plan to re run the scheme every 6 months in which the staff will be entered into a draw to win £2000 of holiday vouchers and five days extra annual leave.

Performance payments for managers – absence management can be included as part of a set of performance targets for managers which attract bonus payments. Performance pay is not widely used in the public sector but is a common feature in the private sector.

8. The Future

- 8.1 In order to continue to reduce the levels of sickness absence in the future, a targeted approach needs to be taken. Whilst the implementation of financial incentives may result in a reduction in absence, there are a number of concerns that need to be considered:
- i) The public perception of the Council spending 'public money' to encourage people into work who are already being paid to be at work.
 - ii) The possibility of encouraging genuinely sick employees to attend work, prolonging the illness, possibly with a damaging effect to their health longer term, and spreading infection to other staff.
 - iii) The cost of absence is made up of a high level of indirect costs and the cost of the financial incentive offered may not be directly recouped by a reduction in absence.
- 8.2 The offer of additional annual leave for those with 100% attendance records may offer an incentive to staff with little financial outlay. This also has the benefit of allowing the time away from work to be booked in advance and therefore, more easily managed.
- 8.3 A number of interventions could also be considered, which, although more labour intensive, require less financial outlay.
- Publish a league table of sickness absence performance
 - Targeted communications campaign to address casual 'sickies'.
 - Absence clinics – working with Heads of Division to agree and absence reduction action plan
 - Incorporating good sickness absence performance into the staff awards programme
 - Including sickness targets into appraisal objectives
 - Including absence performance as a standing agenda item at team meetings and DMTs to raise the profile of absence and recognise good performance.
 - Include sickness absence performance as a regular item at Senior Managers Group.
- 8.4 Prior to implementing any intervention requiring significant financial resources, monitoring should be carried out to ensure compliance the requirement to conduct return to work interviews. Whilst this is a requirement of the current absence policy, there is no requirement for a formal record of the interview to be held, either at departmental level or centrally. This is currently being reviewed to put in place systems and processes which allow compliance to be monitored and to provide data to enable the link between return to work interviews and sickness absence trends to be monitored.
- 8.5 Suggestions for an action plan have been included at appendix 1.

9 Consultation

- 9.1 UNISON continue to be involved in the ongoing management of absence and will be involved in the development of any incentives proposed to reduce absence levels.

OTHER CONSIDERATIONS:

10 CORPORATE STRATEGY (RELEVANCE TO):

- 10.1 Relates to the Corporate Strategy's statement on; making our working practices fit for the 21st Century, managing the council effectively and creating an efficient and effective working environment.

11 RESOURCE IMPLICATIONS:

- 11.1 The introduction of incentives to manage absence may have significant financial implications. A cost benefit analysis will be undertaken for any proposed interventions and any additional resource requirements identified and agreed before implementation.
- 11.2 Provision for absence training will be included in the corporate training plan.
- 11.3 The reduction in the levels of absence relates directly to the availability of staff resources, a reduction in overtime costs and in the use of agency staff.

BACKGROUND DOCUMENTS:

Documents held within the Human Resources Department

APPENDICES:

Appendix 1 – Proposals for Action Plan

WINCHESTER CITY COUNCIL SUGGESTED SICKNESS ABSENCE ACTION PLAN June 2007

Objective

To increase the pace of performance improvement in relation to sickness absence to achieve the Council's BVPI target of 8 days per FTE by 2008/09

	Action	Responsible Officer	Date by	Comments	Progress to date	Delivered Y/N/P*
TOP 5 ACTIONS						
1	Establish League Table for sickness absence performance at Divisional level	Principal HR Advisor	August 07	Will highlight hot spots for action and raise the profile of sickness absence performance		
	Publish on Intranet	PR	August 07			
	Report quarterly as part of performance monitoring	Principal HR Advisor	In place		In place	
2	Build sickness absence improvement targets into appraisal	Head of Organisational Development	Jan 08	To be built into appraisals at all management and supervisory levels		
3	Communication campaign	Principal HR Advisor	Start Oct 07	Link with UNISON to target 'sickies' and raise the profile of absence.		
4	Work with Heads of Division and Service Heads to maintain the momentum for absence management	HR Advisors	To start July 07	Attendance at team meetings, DMT, SMG - Regular slots to talk about absence management, congratulate good performance. Standing item on team agendas to discuss performance and praise good attendance. Absence clinics with HoD to agree absence reduction action plans.		
5	Develop work of Health at Work Group	Chair of HAW	To be discussed	Raise the profile of the group,		

		group	and timetable agreed at HAW meeting in August	develop the work of the group to support healthy living and a healthy worklife.		
SUPPORTING ACTIONS						
6	Learning & Development	Training & Development Advisor	To be agreed on appointment of new T&D Advisor	Develop a management toolkit to include absence management, dealing with difficult situations, interview skills and listening and communication skills		
7	Occupational Health Service	HR Advisor	In place	Develop the service to use more in the management of short term absence.	In place	
TO BE INVESTIGATED						
	Staff attendance award	HR Advisor	November 07	Possible link with Alfie's		
	Short term redeployment 'agency' for staff fit to work but not in own job.	HR Advisor	December 07	Links with homeworking in some cases		
	Fast track return to work or dismiss	Principal HR Advisor	March 08	Reduce time given before referral and dismissal on long term sick. Will need support of UNISON. May contradict requirements under national terms and conditions relating to sick pay entitlement		
	Employee Assistance Programmes	HR Advisor	March 08	Possible links with Occupational Health services		
	Financial incentives	Principal HR Advisor	March 08	<ul style="list-style-type: none"> - Bonus payments for effective absence management - Attendance bonuses - Additional annual leave - Financial penalties 		